Ohio University
(A Component Unit of the State of Ohio)

Financial Statements as of and for the Years Ended June 30, 2006 and 2005, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio University
HDL Center
Suite 280
Athens, Ohio 45701-2979

We have reviewed the *Report of Independent Accountants* of the Ohio University, Athens County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2005 through June 30, 2006. 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. The Ohio University is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 1, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: 614-221-1000
Fax: 614-229-4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Ohio University
Athens, Ohio

We have audited the accompanying statements of net assets of Ohio University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit, as of June 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and of cash flows, where applicable, for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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 respective financial position of Ohio University and its discretely presented component unit as of June 30, 2006 and 2005, and their changes in net assets and their cash flows where applicable for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 3 through 13 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration on internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, 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 18, 2006

Management's Discussion and Analysis

The following discussion and analysis of the financial statements of Ohio University (the "University") provides an overview of the University's financial activities for the fiscal year ("FY") ended June 30, 2006, with comparative data for FY 2005 and FY 2004. Its purpose is to enhance the understandability and usefulness of the financial statements and is unaudited, but required, supplemental information. The intent of this discussion is to respond to the needs of the primary users of these statements, i.e., those to whom the University is primarily accountable (the citizenry), those who directly represent the citizens (legislative and oversight bodies), and those who lend or who participate in the lending process (investors and creditors).

This annual financial report includes the report of the independent auditors, this Management's Discussion and Analysis ("MD&A"), the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows and notes to the financial statements. Responsibility for the completeness and fairness of this information rests with University management.

ABOUT OHIO UNIVERSITY

Ohio University is a public institution established by the State of Ohio (the "State") in 1804 under Chapter 3337 of the Ohio Revised Code ("ORC"). It is the oldest public institution of higher learning in the State of Ohio and the Northwest Territory. It is defined by statute to be a body politic and corporate and an instrumentality of the State.

The University is governed by a 13-member Board of Trustees. The Governor, with the advice and consent of the State Senate, appoints nine trustees for staggered nine-year nonrenewable terms. In addition, two non-voting student members are appointed to the Board of Trustees for staggered two-year terms. The Ohio University Board of Trustees created two National Trustee positions and invited two distinguished out-of-state University alumni to sit with the Trustees and participate in the deliberations of the Board. One term is two years and the other is three years. Both are non-voting members.

The University consists of the main campus in Athens, Ohio and five regional campuses: Chillicothe, Eastern (Belmont County), Lancaster, Southern (Ironton) and Zanesville. Total fall 2005 enrollment for all campuses was 28,751, up from 28,513 in fall 2004 and down from 29,088 in fall 2003. The University, in fall 2005, had a total faculty of 1,092 full-time and 848 part-time, with a total workforce of 4,906 non-student employees. The student to faculty ratio on the Athens Campus for FY 2006 was 20:1. During FY 2006, the University offered 26 Associate majors, 249 Baccalaureate majors, 169 Masters majors, 53 PhD majors and 1 DO major.

Ohio University is designated a Research University (high research activity) by the Carnegie Foundation for the Advancement of Teaching.

Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* an amendment of GASB Statement No. 14 and implemented by the University effective July 1, 2003 led to the inclusion of The Ohio University Foundation (the "Foundation") in the University's statements as a component unit. The Foundation is a 501(c)(3) organization incorporated in Ohio in October, 1945 to support the educational undertakings of Ohio University. The University has chosen a discrete presentation and the Foundation's information appears in a separate column next to the University on the Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets. The University is not required to prepare a Statement of Cash Flows for the Foundation. A separate financial report for the Foundation is available by contacting The Ohio University Foundation; HDL Center, Room 164; Athens, Ohio 45701, or by calling (740)593-1884.

This MD&A is intended to address issues of the primary entity and not those of its component unit.

FINANCIAL HIGHLIGHTS OF FY 2006

State funding for higher education continued its decline in FY 2006 moving the University to a position of increasingly greater reliance on student tuition and fees revenue to fill the resultant gap. State appropriations for FY 2006 decreased by $2,250,795 compared to a decrease of $2,768,624 from FY 2004 to FY 2005. State appropriations, expressed as a percentage of total State appropriations and student tuition and fees—net, has declined from 44% (FY 2004) to 42% (FY 2005) to 41% (FY 2006) over the last 3 years.

The University increased tuition by 6% for undergraduate and 3% for graduate students in FY 2006 compared to an increase of 9% for undergraduate and graduate students from FY 2004 to FY 2005. Room rates increased by 4% with no increase in board rates in FY 2006 compared to an increase of 3% for each from FY 2004 to FY 2005. The non-resident surcharge did not increase in FY 2006.

An employee compensation increase of 2% was approved for July 1, 2005 with the promise of an additional 1% mid-year increase when final fall enrollment numbers could be assessed relative to budget. That additional increase did occur.

The University offered a new Early Retirement Incentive Plan ("ERIP") one year buyout which began in FY 2006 for eligible employees in the Ohio Public Employees Retirement System ("OPERS"). The buyout period began on April 1, 2006 and remains open until August 31, 2007. A $10,000 incentive was offered to employees who signed up for the buyout by April 28, 2006 with a retirement date of July 1, 2006 or prior. All employees taking the buyout are required to be retired by November 1, 2007. As of June 30, 2006, 77 employees have elected to participate in the ERIP. The FY 2006 financial statements include $2.6 million in costs associated with the buyout. The costs include sick leave and vacation payouts in accordance with standard policy, a $10,000 incentive bonus for the 67 employees who signed up by April 28, 2006 and who left by July 1, 2006, and the OPERS payment calculated and billed by OPERS.

On April 2, 2006, there was a valve failure in the chilled water system of Grover Center which houses administrative offices and classrooms for the College of Health and Human Services and a community wellness fitness center. The cost of restoration to the physical structure was $1,093,000 as of June 30, 2006. In addition there were expenditures of $447,900 for furniture, demolition, cleaning, etc. In accordance with a new reporting standard (GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*) effective for the University in FY 2006, the carrying value of the asset has been recalculated and additional footnote disclosures have been made in Footnote 5 entitled, "Capital Assets".

As a result of a number of data security breaches experienced by the University in FY 2006, the University launched an aggressive campaign to tighten data security. A 20-point plan was developed to improve the current information technology (IT) structure. The University's Board of Trustees has committed to allot sufficient funds to address IT strategic priorities. The IT reorganization includes a change in reporting; the Chief Information Officer ("CIO") is now a member of the President's Cabinet. The current CIO has announced his plans to step down. The search is underway for a new CIO in the fall of 2006.

In FY 2006 the University hired a new Vice President for Finance and Administration, CFO and Treasurer, William R. Decatur. Mr. Decatur was the Executive Vice President and Chief Operating Officer for the University of Toledo before assuming the position with Ohio University. He began his duties with Ohio University on March 20, 2006.

Throughout FY 2006, members of the Vision OHIO Resources Implementation Team have been studying alternative budget allocation models. The desired outcome is to develop a budget model which will provide incentives for the University's campuses to achieve the goals identified in Vision OHIO, the University's strategic plan.

CURRENT YEAR RESULTS

One of the most important questions asked about a University's finances is whether the University's position has improved as a result of the year's activities. The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information on the University as a whole and on its activities in a way that helps answer this question. Net assets, the difference between total assets and total liabilities are a measure of the current financial condition. Increases or decreases in the University's net assets are one indicator of whether its financial health is improving or deteriorating. Numerous other nonfinancial factors, such as the number and quality of applicants, freshman class size, student retention, graduation rates, strength of the faculty, condition of the campus infrastructure and the safety of the campus, must be considered when assessing the overall health of the University.

Points of interest relative to the Statements of Net Assets are as follows:

- The Statements of Net Assets present assets, liabilities and net assets (assets minus liabilities) as of the last day of the fiscal year. It further classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the statement date. Current assets are those that are available to satisfy current liabilities.

- Total **Cash and cash equivalents** increased by an amount of $21,463,596 compared to a decrease of $24,381,879 in FY 2005 over FY 2004. The prime contributor to these fluctuations was a change in **Restricted cash and cash equivalents** representing unspent bond proceeds primarily in the hands of bond trustees. Amounts received, but unspent at the end of any year are reflected as a Noncurrent Asset in the Statement of Net Assets. Cash on hand for operations has shown a slight decrease in each of the 2 year comparisons, which is more than offset by an increase in **Investments**.

- **Investments** include working capital funds and the net appreciation on total return endowment investments available for expenditure in accordance with donors' restrictions, if authorized by the Board.

- **Accounts and pledges receivable—net** is made up primarily of student receivables for fees and room and board, the largest contributor to the balance, followed by billed and unbilled receivables for research and other sponsored programs. Student receivables were $17,061,747 in FY 2006 and $13,899,341 in FY 2005. The increase in student receivables is attributable to a 6% tuition increase over the previous year and summer quarter Pell Grants that were not disbursed to the students until July 1. According to the Higher Education Reconciliation Act (HERA), grants for summer quarter were not permitted to be disbursed until July 1, unlike in prior years. The amount disbursed against receivables on July 1 was $1,124,125. Grants and contracts receivables were $12,630,258 in FY 2006 and $13,102,337 in FY 2005.

- **Notes receivable—net** includes amounts due the University for student loans extended, as well as amounts due (payback of grants-in-aid received) from graduates of the College of Osteopathic Medicine (COM) who have left the State of Ohio to practice medicine. Both are net of bad debt allowances. The amount listed in the Current Assets section represents those payments expected to be received in the next fiscal year. Of the total for this category of $14,131,387 and $14,308,904 for FY 2006 and FY 2005, respectively, the amount related to COM is $1,106,188 and $1,253,085 for FY 2006 and FY 2005, respectively. The remaining balance is related to student loan receivables.

- **Inventories** in order of their magnitude are, food inventory for the Residence and Dining Hall Auxiliary, The Ohio University Press inventory of books for sale, airport parts for the Airport Auxiliary, printing supplies for Printing Resources, and drug inventory for the student health center.

- **Endowment investments** represent the contributed value of University endowments including any unused earnings added back to principal in accordance with donor gift agreements, and the net market gain on endowments classified as non-total return. For non-total return endowments, the donors have only authorized the spending of interest and dividends. Capital appreciation remains a part of the corpus of the endowment. Contributions to University endowments totaled $205,205 in FY 2006, $6,025 in FY 2005, and $10,601 in FY 2004. A single large contribution was made to the existing Edison Biotechnology Institute Goll-Ohio Eminent Scholar Research Endowment in the amount of $200,000 in FY 2006, which accounts for the increase over FY 2005. The University generally does not accept new endowments unless the donor's bequest specifically states that the gift is to be administered by the Board of Trustees of Ohio University. Otherwise, the Foundation receives and administers new endowments.

- **Capital assets** are recorded at historical cost and presented net of their accumulated depreciation. Depreciation serves to amortize the cost of assets over their useful lives. The amount of accumulated depreciation was $405,710,557 for FY 2006, $379,719,520 for FY 2005 and $357,475,056 for FY 2004. Capital assets, net of their accumulated depreciation, is the largest contributor to Total Assets. The percentage to total was 67% for FY 2006, 69% for FY 2005 and 66% for FY 2004.

- **Refundable Advances for Federal Student Loans** represents the cumulative Federal capital contributions ("FCC") to Federal student loan programs, presented as a potential long-term liability. It is incremented each year by receipt of new Federal capital contributions, reduced by its distributive share of bad debt expense.

The following chart depicts the breakdown of Assets, Liabilities and Net Assets for Ohio University for the years ended June 30, 2006, 2005, and 2004:

	2006	2005	2004
Assets:			
Current assets - net	$ 189,771,412	$ 182,764,132	$ 176,762,520
Noncurrent assets	604,666,564	555,953,366	548,967,862
Total assets	794,437,976	738,717,498	725,730,382
Liabilities:			
Current liabilities	79,609,270	79,854,071	78,535,421
Noncurrent liabilities	208,538,844	176,121,153	184,710,468
Total liabilities	288,148,114	255,975,224	263,245,889
TOTAL NET ASSETS	$ 506,289,862	$ 482,742,274	$ 462,484,493

Net assets, expressed as a percent of total assets, were 64% for FY 2006, 65% for FY 2005 and 64% for FY 2004. Current assets less current liabilities represent working capital and were $110,162,142 for FY 2006, $102,910,061 for FY 2005 and $98,227,099 for FY 2004. The current ratio, calculated by dividing current assets by current liabilities, is an indicator of the ability to pay short-term obligations. This ratio was 2.38 to 1 for FY 2006, 2.29 to 1 for FY 2005 and 2.25 to 1 for FY 2004.

The Net Assets for the years ended June 30, 2006, 2005, and 2004 are further displayed as follows:

	2006	2005	2004
Invested in capital assets—net of related debt	$ 379,778,713	$ 360,279,657	$ 345,803,896
Restricted nonexpendable	15,167,182	11,970,621	11,836,376
Restricted expendable	39,584,791	47,976,632	42,898,264
Unrestricted	71,759,176	62,515,364	61,945,957
	$ 506,289,862	$ 482,742,274	$ 462,484,493

Invested in capital assets-net of related debt represents the historic dollar value of capital assets reduced by their related depreciation and includes outstanding debt related to the purchase or construction of capital assets. It is increased by the value of any **restricted cash and cash equivalents** representing funds usually held by bond trustees and available for future capital initiatives.

Restricted nonexpendable net assets are equal to **endowment investments**, previously described.

Restricted expendable net assets are made up primarily of loan funds revenues in excess of their expenses, restricted grants and contracts revenues in excess of their expenses and net market appreciation of endowment funds available for expenditure, all of whose use has been restricted by external sources.

Unrestricted net assets are made up of funds available for expenditure at the discretion of the Board of Trustees and includes the accumulation of unrestricted revenues received in excess of expenses, including that of auxiliary enterprises.

Points of interest relative to the Statements of Revenues, Expenses, and Changes in Net Assets:

- The Statements of Revenues, Expenses and Changes in Net Assets report the revenue earned in the fiscal year (regardless of when received) and the expenses incurred (regardless of when paid). It differentiates between operating and nonoperating revenue. Sales of goods and provisions of services are recorded as operating revenues, when the buyer essentially receives something of value equal to the amount being charged. Essentially all other types of revenue are nonoperating, or other revenue. Nonoperating revenues include State appropriations, grants that do not require any services to be performed for the benefit of the grantor and investment income. The operating income (loss) line will typically display a loss for state-supported public institutions since state appropriations, that have historically played a significant role in the funding of public institutions, are mandated to be reported as nonoperating revenue. "Other revenues" include state capital appropriations, capital grants and gifts and additions to permanent endowments.

- **Student tuition and fees** revenues, **auxiliary enterprises** revenues, and the corresponding **student aid** expenses, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the institution and the amount that is paid by students and/or third parties making payments on the student's behalf. For FY 2006 that amount is $48,681,179 (of which $39,543,722 is netted against **student tuition and fees** and $9,137,457 is netted against **auxiliary enterprises**. For FY 2005 that amount was $44,310,905 (of which $35,493,035 was netted against **student tuition and fees** and $8,817,870 was netted against **auxiliary enterprises** revenues). In FY 2004 that amount was $38,156,805 (of which $30,563,601 was netted against **student tuition and fees** and $7,593,204 was netted against **auxiliary enterprises** revenues).

- **Auxiliary enterprises** revenues consist of the sales and services of such activities as residence halls, dining services, intercollegiate athletics, airport operations, telephone operations, campus recreation and parking services. The bulk of this revenue is the activity of the Residence and Dining Hall auxiliary whose room rates were increased 4% in FY 2006 over FY 2005, with board rates remaining unchanged. In FY 2005, room and board rates were each increased 3% over FY 2004.

- **Functional classification of expenditures**—functional classifications, described in depth below the chart of "Expenses by Source", are assigned whenever a new account is requested and changed whenever Accounting is notified of a change in use. From information provided by departments as to the intended use of the account, Accounting classifies it in accordance with guidance from the National Association of College and University Business Officers (NACUBO). In FY 2006 there were two significant and interrelated fluctuations in the functional categories of **Student Services** and **Institutional Support**. Contributing factors included a change in the budgeting structure for Computer Services and Communication Network Services. Additional accounts were created to more closely track certain effort. As a result and for example, costs that were previously included in with the entire operation of Computer Services were broken out for the on-going effort of maintaining and enhancing the student information system. Because the purpose of the account is now more specific, the functional classification changed from Institutional Support to Student Services.

- The expense line "**Student aid**" represents institutional resources provided **in excess** of amounts owed by the students to the institution and refunded to them. It **does not** represent the amount of financial aid made available to students.

- Expenditures for capital assets are capitalized on the Statements of Net Assets and systematically reduced through the use of **depreciation** expense in the Statements of Revenues, Expenses, and Changes in Net Assets. The University has chosen to display depreciation on a separate line in the Statements of Revenues, Expenses, and Changes in Net Assets as opposed to allocating it among the various functional categories. The amount was $29,427,367 for FY 2006, compared to $29,076,351 for FY 2005 and $27,310,496 for FY 2004.

- **State appropriations** consist primarily of state share of instruction revenues. State support continues to decline in prominence relative to other income streams.

- **Investment income** increased in FY 2006 over FY 2005 by $96,058 compared to an increase of $532,468 in FY 2005 over FY 2004.

- **Capital grants and gifts** (shown below in "Grants and contracts") dropped to $2,531,424 in FY 2006 from $3,534,963 in FY 2005 compared to $5,612,306 in FY 2004 and accounts for $3,080,882 of the $5,883,168 decrease in Grants and contracts between FY 2006 and FY 2004. This revenue stream fluctuates depending on the particular grants and gifts received in any given year.

The following charts depict total revenue by source for FY 2006, FY 2005, and FY 2004, respectively:

	2006	2005	2004
State appropriations	$ 137,369,481	$ 139,620,276	$ 142,388,900
Student tuition and fees, net	201,446,914	196,518,557	183,845,137
Grants and contracts	71,371,589	74,487,489	77,254,757
Sales and services	10,419,607	10,461,067	10,683,223
Auxiliary enterprises, net	59,479,387	54,502,659	53,887,294
Investment income, net	8,278,995	8,182,937	7,650,469
State capital appropriations	20,766,812	12,408,134	13,216,346
Other	8,107,084	5,559,678	5,403,554
Total	$ 517,239,869	$ 501,740,797	$ 494,329,680

The following chart depicts operating and nonoperating expenses for FY 2006, FY 2005, and FY 2004, respectively:

Expenses by source	2006	2005	2004
Instruction and departmental research	$ 187,478,442	$ 179,633,550	$ 172,014,386
Separately budgeted research	33,712,270	33,222,564	29,978,107
Public service	20,129,885	19,726,387	18,039,685
Academic support	55,429,877	52,460,139	51,082,862
Student services	24,573,546	20,178,218	20,886,735
Institutional support	23,461,283	31,928,677	31,328,600
Operation and maintenance of plant	39,770,454	36,823,032	37,160,727
Student aid	8,329,253	9,833,690	11,214,000
Depreciation	29,427,367	29,076,351	27,310,496
Auxiliary enterprises	64,784,092	61,874,393	58,122,051
Interest on capital asset-related debt	6,425,686	5,530,775	5,022,680
Disposal and write-offs of plant facilities	170,126	1,195,240	434,369
Total	$ 493,692,281	$ 481,483,016	$ 462,594,698

- The University, as a component unit of the State of Ohio, is required to report its **operating expenses** on the face of the Statements of Revenues, Expenses, and Changes in Net Assets using a functional view. Functional categories are presented as defined by the National Association of College and University Business Officers (“NACUBO”).

  - **Instruction and Departmental Research**—The instruction and departmental research category includes expenses for all activities that are part of an institution’s instruction program. Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions are included.

    Expenses for departmental research and public service that are not separately budgeted are included in this classification. This category excludes expenses for academic personnel whose primary assignment is administration—for example, academic deans.

  - **Separately Budgeted Research**—The separately budgeted research category includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, the category includes expenses for individual and/or project research as well as that of institutes and research centers. This category does not include all sponsored programs nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described. Expenses for departmental research that are separately budgeted are included in this category. However, the research category does not include expenses for departmental research that are not separately budgeted. Such expenditures are included in the instructional category.

- **Public Service**—The public service category includes expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services to particular sectors of the community.

- **Academic Support**—The academic support category includes expenses incurred to provide support services for the institution's primary missions: instruction, research, and public service. It includes the retention, preservation, and display of educational materials, such as libraries, museums, and galleries; the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education; media such as audio-visual services and technology such as computing support; academic administration (including academic deans but not department chairpersons) and personnel development providing administration support and management direction to the three primary missions; and separately budgeted support for course and curriculum development.

- **Student Services**—The student services category includes expenses incurred for offices of admissions and the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenses for student activities, cultural events, student newspapers, intramural athletics, student organizations, counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service.

- **Institutional Support**—The institutional support category includes expenses for central executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative data processing; space management; employee personnel and records; logistical activities that provide procurement, storerooms, printing; transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising. Appropriate allocations of institutional support are made to auxiliary enterprises, hospitals, and any other activities not directly related to the primary program categories or the related support categories.

- **Operation and Maintenance of Plant**—The operation and maintenance of plant category includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; safety; hazardous waste disposal;

property, liability and all other insurance relating to property; space and capital leasing; facility planning and management; and central receiving. It does not include interest expense on capital related debt.

- **Student Aid**—The student aid category includes expenses for scholarships and fellowships—from restricted or unrestricted funds—in the form of grants to students, resulting from selection by the institution or from an entitlement program. The category also includes trainee stipends, prizes, and awards. Trainee stipends awarded to individuals who are not enrolled in formal course work are charged to instruction, research, or public service.

  Recipients of grants are not required to perform service to the institution as consideration for the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the College Work-Study program, charges are classified as expenses of the department or organizational unit to which the service is rendered. Aid to students in the form of tuition or fee remissions also are included in this category. However, remission of tuition or fees granted because of faculty or staff status, or family relationship of students to faculty or staff, are recorded as staff benefits expenses in the appropriate functional expense category.

The first 3 categories, which are instruction, research and public service, represent the core mission of the University. The other functions serve to support the core functions.

- **Senate Bill 6 ratios**, one of the measures by which the University's activities are monitored at the state level, returned a composite score of 2.9 in FY 2006, 3.2 in FY 2005 and 3.1 in FY 2004. The highest possible score is 5.0. The score assigned to the viability ratio (expendable net assets divided by plant debt) decreased by 1. This particular ratio is 30% of the composite score. The University remained the same in the primary reserve ratio (expendable net assets divided by operating expenses) which is 50% of the composite score and remained the same in the net income ratio (change in total net assets divided by total revenues), 20% of the composite score. The University is developing a long-term strategic financial plan to help ensure that resources are used efficiently and effectively towards vision accomplishment and that all appropriate measures of success are identified and monitored.

Statements of Cash Flows

The Statements of Cash Flows present detailed information about the major sources and uses of cash and the resultant change in the University's cash position, under the direct method. The four categories of presentation and their respective FY 2006, FY 2005, and FY 2004 amounts are:

	2006	2005	2004
Net cash used in operating activities	$ (132,740,542)	$ (133,457,564)	$ (140,900,912)
Net cash provided by noncapital financing activities	162,524,076	171,942,710	174,437,158
Net cash provided by (used in) capital financing activities	(10,562,877)	(60,661,900)	3,862,416
Net cash provided by (used in) investing activities	2,242,939	(2,205,125)	15,326,363

Total cash and cash equivalents increased to $77,019,749 compared to a total of $55,556,153 in FY 2005 and $79,938,032 in FY 2004. The increase was entirely related to cash from bond proceeds primarily in the hands of the trustee bank.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Major capital additions completed during the fiscal year ended June 30, 2006 and the primary resources that funded their acquisition/construction included (in millions):

Biddle Hall Renovation—Athens Campus residence hall	$ 5.2	Internal Funding
Lausche Heating Plant Upgrade—Athens Campus boiler refurbishment	3.2	Capital Appropriations and Sale of Bonds
Ridges Steam Extension—Athens Campus infrastructure	1.8	Sale of Bonds
Scott Quad Conversion—Athens Campus office conversion to student rooms	1.3	Internal Funding
South Green Conduit Replacement—Athens Campus infrastructure	1.0	Internal Funding

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2006 totaled approximately $82.4 million at June 30, 2006. These projects include (in millions):

University Center	$	54.5
Bromley Hall Renovation		9.9
South Green Residence Hall		2.1
Proctorville Center Renovation		1.9
Brasee Hall Renovation		1.9
Elson Hall Renovation		1.6
Alden Library 2nd Floor Renovation		1.5
Airport Improvement Project		1.3
Performance Contracting		1.2

The University is continuing work on the new University Center which is slated for official opening in January 2007 upon return of the student body from winter break. Its size is 183,000 square feet and is twice as large as the center it is replacing. It will provide a central gathering place for all members of the University community. Its $60 million cost is being funded through a combination of state capital funds and a special student fee to be assessed once the Center is operational.

The University is in the final stages of completing its Facilities Master Plan and supporting multi-year financial plan. The Facilities Master Plan and financial plans are being driven by academic strategic priorities as outlined in Vision Ohio.

Debt Administration

At year-end, the University had $192,770,000 in bonds and notes obligations outstanding versus $167,410,000 at the end of FY 2005 and $175,380,000 at the end of FY 2004. Detailed information exists in Footnote 7 related to borrowings and retirements for FY 2006 and FY 2005. The University’s Standard and Poor’s bond rating of A+ and Moody’s bond rating of A1 have not changed from the prior year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Throughout the past fiscal year, committees have met to add specificity to elements of the University's strategic plan, Vision OHIO. The Resources Implementation Team has been exploring various budget allocation models looking at "best practices" and determining their viability in terms of the University's campuses and in its culture. The University has plans to operate under a new budgeting model beginning with the FY 2008 budget. The desired outcome is to provide incentives and motivate behavior consistent with the University's strategic plan. The Budget Planning Council developed subcommittees to explore and develop long-range policy issues regarding tuition and fees, total compensation and the creation of central university reserves for strategic investment and contingencies.

The creation of the FY 2007 budget included the removal of $14.4 million from unit budgets for realignment plans in accordance with Vision OHIO priorities. For a number of years the University operated with an incremental budget strategy and for the last five years has engaged in annual budget cutting exercises. To reduce costs and facilitate budget reallocation, the University offered an Early Retirement Incentive Plan (ERIP)—details discussed in "Financial Highlights of 2006". The prospect of future position elimination is dependant on the success of this program.

The University provided for a 3% salary and wage increase for FY 2007, compared to FY 2006's 2% increase on July 1, 2005 with an additional 1% increase on January 1, 2006.

Tuition rates for FY 2007 have increased by a rate of 6% and 3% for undergraduate and graduate students, respectively, with room rates increasing by 4% and board rates remaining the same for the second straight year and, again, the non-resident surcharge remained the same.

The budget for FY 2007 included a 3% reduction in the State's Share of Instruction (SSI). Since then the University has received word of receiving an addition $2.1 million in SSI.

In a fall message to the University Community, President Roderick McDavis delineated 3 top priorities identified by faculty, staff and students involved in strategic planning, in which the University should invest: undergraduate education, graduate education and research, and the faculty. The Provost, Kathy Krendl is responsible for working with various groups, including Faculty Senate, to develop specific objectives along those lines.

In many respects, FY 2006 was a trying year for the University. The University received national attention for its incidences of security breaches and student plagiarism cases. With many eyes on its response, the University has taken ownership of those issues and is working diligently to address the IT issues and to make good come out of those "teachable moments" for our students. The University is engaging faculty and students in conversations to reinforce the primacy of our values of academic honesty and integrity and to strengthen the student honor code.

It is important to keep things in perspective and to recognize that the University continues to be recognized nationally for the good that it does. The *Washington Monthly*'s college rankings of national universities ranked Ohio University 40th of 245 public universities. According to information provided by them as to their methodology for rankings, final rankings needed to reflect excellence across the full breadth of their measures, not just one or two areas. *U.S. News and World Report's* "America's Best Colleges" 2007 edition ranked Ohio University 53rd among national public universities.

This MD&A is intended to provide additional information so that the reader of the audited financial statements which follow can better understand them. Further questions can be addressed to: Ms. Gina Fetty, Controller, HDL Center, Athens, Ohio 45701

OHIO UNIVERSITY

(A Component Unit of the State of Ohio)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005

	2006		2005	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 31,594,535	$ 9,587,897	$ 33,308,241	$ 4,212,953
Investments	98,134,548	71,719,252	94,249,146	60,437,489
Accounts and pledges receivable—net	35,341,172	9,813,347	33,466,417	4,954,593
Accrued interest and dividends receivable	300,445	123,586	348,537	209,129
Notes receivable—net	3,414,177		3,278,663	49,761
Prepaid expenses and deferred charges	19,120,275	1,187,378	16,319,601	1,174,934
Inventories	1,866,260		1,793,527	29,971
Total current assets	189,771,412	92,431,460	182,764,132	71,068,830
NONCURRENT ASSETS:				
Restricted cash and cash equivalents	45,425,214	3,809,375	22,247,912	2,912,861
Pledges receivable—net		18,255,492		4,081,318
Bequests receivable		1,380,885		1,186,466
Cash surrender value—life insurance policies		2,326,534		2,377,779
Charitable remainder trusts		2,525,515		1,467,407
Charitable remainder annuities		2,995,210		3,074,232
Endowment investments	15,167,182	105,990,952	11,970,621	101,633,356
Notes receivable—net	10,717,210		11,030,241	
Capital assets—net	533,356,958	31,130,520	510,704,592	32,223,107
Total noncurrent assets	604,666,564	168,414,483	555,953,366	148,956,526
TOTAL	$ 794,437,976	$ 260,845,943	$ 738,717,498	$ 220,025,356

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005

	2006		2005	
LIABILITIES AND NET ASSETS	**Primary Institution**	**The Ohio University Foundation**	**Primary Institution**	**The Ohio University Foundation**
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 39,369,310	$ 2,308,333	$ 37,825,767	$ 1,871,374
Deferred revenue	23,063,617		19,251,612	
Refunds and other liabilities	1,880,191	3,348,090	2,016,686	2,595,244
Capital lease obligations	54,526		55,047	
Bonds and notes payable	14,099,160	1,729,757	19,412,739	645,000
Deposits held in custody for others	1,142,466	263,548	1,292,220	329,877
Total current liabilities	79,609,270	7,649,728	79,854,071	5,441,495
NONCURRENT LIABILITIES:				
Compensated absences	13,022,319		12,667,269	
Capital lease obligations	37,823		64,100	
Bonds and notes payable	178,670,840	34,398,100	147,997,261	32,126,649
Bond premium—net	6,141,111		5,143,700	
Refundable advances for federal student loans	10,666,751		10,248,823	
Total noncurrent liabilities	208,538,844	34,398,100	176,121,153	32,126,649
Total liabilities	288,148,114	42,047,828	255,975,224	37,568,144
NET ASSETS:				
Invested in capital assets—net of related debt	379,778,713	4,334,895	360,279,657	4,085,968
Restricted:				
Nonexpendable	15,167,182	105,990,952	11,970,621	101,633,356
Expendable	39,584,791	110,872,406	47,976,632	79,966,826
Unrestricted	71,759,176	(2,400,138)	62,515,364	(3,228,938)
Total net assets	506,289,862	218,798,115	482,742,274	182,457,212
TOTAL	$ 794,437,976	$ 260,845,943	$ 738,717,498	$ 220,025,356

See notes to the financial statements. (Concluded)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
OPERATING REVENUES:				
Student tuition and fees—net of scholarship allowances	$ 201,446,914	$ -	$ 196,518,557	$ -
Federal grants and contracts	30,122,163		28,124,693	
State grants and contracts	6,278,728		6,092,961	
Local grants and contracts	498,917		569,141	
Private grants and contracts	6,893,069		8,023,817	
Sales and services	10,419,607		10,461,067	
Auxiliary enterprises—net of scholarship allowances	59,479,387		54,502,659	
Other sources	7,901,879	10,162,309	5,553,653	9,468,188
Total operating revenues	323,040,664	10,162,309	309,846,548	9,468,188
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	187,478,442	5,216,562	179,633,550	5,873,324
Separately budgeted research	33,712,270	403,735	33,222,564	392,762
Public service	20,129,885	39,098	19,726,387	212,744
Academic support	55,429,877	1,676,180	52,460,139	1,764,826
Student services	24,573,546	976,815	20,178,218	855,529
Institutional support	23,461,283	9,153,131	31,928,677	8,981,630
Operation and maintenance of plant	39,770,454		36,823,032	
Student aid	8,329,253	3,303,750	9,833,690	3,444,981
Depreciation	29,427,367	1,505,035	29,076,351	1,279,389
Auxiliary enterprises	64,784,092		61,874,393	
Operating expenses—Foundation's subsidiaries		6,773,723		5,945,670
Total operating expenses	487,096,469	29,048,029	474,757,001	28,750,855
OPERATING LOSS	(164,055,805)	(18,885,720)	(164,910,453)	(19,282,667)

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005	
	Primary Institution	The Ohio University Foundation	Primary Institution	The Ohio University Foundation
NONOPERATING REVENUES AND EXPENSES:				
State appropriations	$ 137,369,481	$ -	$ 139,620,276	$ -
Federal grants	17,199,027		20,607,847	
State grants	5,563,372		5,619,623	
Local grants	2,450		5,007	
Private gifts	2,282,439	31,516,860	1,909,437	2,435,801
University support		3,364,852		3,220,832
Investment income—net of investment expense	8,278,995	16,155,393	8,182,937	10,882,384
Interest on capital asset-related debt	(6,425,686)		(5,530,775)	
Disposal and write-offs of plant facilities	(170,126)		(1,195,240)	
Net nonoperating revenues and expenses	164,099,952	51,037,105	169,219,112	16,539,017
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	44,147	32,151,385	4,308,659	(2,743,650)
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:				
State capital appropriations	20,766,812		12,408,134	
Capital grants and gifts	2,531,424		3,534,963	
Additions to permanent endowments	205,205	4,189,518	6,025	3,370,515
Total other revenues, expenses, gains, or losses	23,503,441	4,189,518	15,949,122	3,370,515
INCREASE IN NET ASSETS	23,547,588	36,340,903	20,257,781	626,865
NET ASSETS:				
Beginning of year	482,742,274	182,457,212	462,484,493	181,830,347
End of year	$ 506,289,862	$ 218,798,115	$ 482,742,274	$ 182,457,212

See notes to the financial statements.

(Concluded)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	Primary Institution	
	2006	**2005**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 197,324,175	$ 193,461,224
Grants and contracts	46,210,885	41,236,330
Payments to suppliers	(104,192,243)	(93,291,655)
Payments to employees	(251,014,000)	(245,416,000)
Payments for benefits	(67,911,097)	(66,145,116)
Payments for scholarships and fellowships	(33,429,762)	(33,462,075)
Loans issued to students	(3,217,977)	(4,099,957)
Collection of loans to students	3,248,595	2,911,045
Auxiliary enterprise sales	59,230,129	53,470,435
Sales and services	11,635,309	11,376,575
Other receipts	9,375,444	6,501,630
Net cash used in operating activities	(132,740,542)	(133,457,564)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	137,369,481	139,620,276
Gifts and grants for other than capital purposes	25,252,493	31,426,745
Federal direct student loan programs receipts	100,020,920	98,687,167
Federal direct student loan programs disbursements	(100,020,920)	(97,957,679)
Student organization agency transactions	(97,898)	166,201
Net cash provided by noncapital financing activities	162,524,076	171,942,710
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from capital debt	72,390,000	7,650,000
Capital appropriations	21,776,537	11,663,355
Capital grants and gifts received	2,251,278	3,534,963
Purchases of capital assets	(52,884,868)	(60,087,054)
Principal paid on capital debt and leases	(46,962,056)	(15,713,017)
Interest paid on capital debt and leases	(7,133,768)	(7,710,147)
Net cash used in capital financing activities	(10,562,877)	(60,661,900)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	24,529,459	2,229,548
Investment income	8,454,605	4,917,480
Purchase of investments	(30,741,125)	(9,352,153)
Net cash provided by (used in) investing activities	2,242,939	(2,205,125)
NET INCREASE (DECREASE) IN CASH	21,463,596	(24,381,879)
CASH AND CASH EQUIVALENTS—Beginning of year	55,556,153	79,938,032
CASH AND CASH EQUIVALENTS—End of year, including restricted cash of $45,425,214 and $22,247,912, respectively.	$ 77,019,749	$ 55,556,153

(Continued)

Ohio University
(A Component Unit of the State of Ohio)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	Primary Institution	
	2006	**2005**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (164,055,805)	$ (164,910,453)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	29,427,367	29,076,351
Changes in assets and liabilities:		
Accounts receivable—net	(1,874,755)	2,715,540
Notes receivable—net	177,517	(1,126,157)
Prepaid expenses and deferred charges	(2,800,674)	1,089,173
Inventories	(72,733)	(140,186)
Accounts payable and accrued liabilities	2,783,031	1,958,112
Deferred revenue	3,812,005	(2,165,391)
Refunds and other liabilities	(136,495)	45,447
NET CASH USED IN OPERATING ACTIVITIES	$ (132,740,542)	$ (133,457,564)

See notes to financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Ohio University ("University") is a public institution established by the State of Ohio ("State") in 1804 under Chapter 3337 of the Ohio Revised Code ("ORC"). As such it is a component unit of the State and is included as a discretely presented entity in the State's Comprehensive Annual Financial Report. The University is the oldest of the State-assisted universities in Ohio. It is defined by statute to be a body politic and corporate and an instrumentality of the State.

The University is governed by a 13-member Board of Trustees. The Governor, with the advice and consent of the State Senate, appoints nine trustees for staggered nine-year nonrenewable terms. In addition, two nonvoting student members are appointed to the Board of Trustees for staggered two-year terms. The Ohio University Board of Trustees created two National Trustee positions and invited two distinguished out-of-state University alumni to sit with the Trustees and participate in the deliberations of the Board. One term is two years and the other is three years. Both are nonvoting members.

Basis of Presentation—The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB") including Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities (an amendment of GASB No. 34)*. The presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, and changes in net assets and cash flows. It replaces fund-groups with net asset-groups, and requires the direct method of cash flow presentation.

The University follows all GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 was implemented by the University effective July 1, 2003, further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The University has determined that The Ohio University Foundation ("Foundation") meets this definition and is therefore included as a discretely presented component unit in the University's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. See Note 18 for additional disclosures regarding the Foundation.

Basis of Accounting—The University is a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35. Accordingly, the financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred. All significant interfund transactions have been eliminated. The financial statements of its component unit are also presented under the accrual basis of accounting.

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

Investments—All investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. Investments classified as current assets in the statements of net assets include those that can be withdrawn on demand.

Accounts Receivable—Accounts receivable consists of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts accounts receivable include amounts due from the Federal government, State and local governments, or private sources, as reimbursement of certain expenditures made in accordance with agreements. Uncollectible amounts have been reserved.

Inventories—Inventories are stated at lower of weighted-average cost or net realizable value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents are primarily funds externally restricted for capital expenditures subject to bond and note agreements and are either held by bond trustees or temporarily invested in STAROhio. In addition, it includes some funds held in escrow for successful completion of construction contracts.

Capital Assets—Capital assets are presented in the statements of net assets of the University. Purchased or constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value as of the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Following are the capitalization levels and estimated useful lives of the asset classes:

Asset Class	Capitalize At	Estimated Useful Life
Land	Any amount	N/A
Land improvements	$ 100,000	N/A
Works of art and historical treasures	$ 2,500	N/A
Infrastructure	$ 100,000	10–50 years
Buildings	Any amount	40 years
Machinery and equipment	$ 2,500	5–25 years
Library books and publications	Any amount	10 years
Transportation equipment	$ 2,500	5–10 years

Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. The costs of normal maintenance and repairs are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land, land improvements, and works of art and historical treasures are not depreciated. Any impairment of capital assets and insurance recoveries are disclosed in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

Deferred Revenue—Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, related to the subsequent accounting period.

Compensated Absences—University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement, or death). Certain limitations are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability incurred is recorded at year-end in the statements of net assets, and as a component of operating expense in the statements of revenues, expenses, and changes in net assets.

Net Assets—The University's net assets are categorized as described below:

Invested in Capital Assets—Net of Related Debt—This represents the University's investment in capital assets, net of debt obligations related to those capital assets.

Restricted Net Assets—Nonexpendable—Restricted nonexpendable net assets represent contributed values of permanent endowments restricted or unrestricted as to income.

Restricted Net Assets—Expendable—Restricted expendable net assets represent assets that are restricted by a third party either legally or contractually.

Unrestricted Net Assets—Unrestricted net assets are resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. These net assets are used for general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to apply the expense at the discretion of University management.

Income Taxes—The University is an organization described in Section 115 of the Internal Revenue Code of 1986 (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

Classification of Revenues—Revenues are classified as either operating or nonoperating according to the following:

Operating Revenues—Operating revenues include revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises (net of scholarship discounts and allowances), and certain Federal, State, local and private grants, and contracts.

Nonoperating Revenues—Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as State appropriations, and certain Federal, State, local and private gifts, and grants. Nonoperating revenues also include investment income.

Scholarship Discounts and Allowances—Student tuition and fees revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties making the payments on the students' behalf. As of June 30, 2006 and 2005, respectively, scholarship discounts and allowances are $48,681,179 (of which $39,543,722 is netted against student tuition and fees and $9,137,457 is netted against auxiliary enterprises revenues) and $44,310,905 (of which $35,493,035 is netted against student tuition and fees and $8,817,870 is netted against auxiliary enterprises revenues).

Auxiliary Enterprises—Auxiliary revenues are derived primarily from revenues generated from residence halls, dining services, intercollegiate athletics, airport operations, telephone operations, parking services, and campus recreation. They are shown net of scholarship discounts and allowances, primarily for room and board.

Eliminations—The University eliminates interfund assets and liabilities, and revenues and expenses related to internal activities.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and assumptions are based on currently available information and actual results could differ from those estimates.

Newly Issued Accounting Pronouncements—In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the standalone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2005. The University has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information ("RSI") in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The University has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This statement is effective for financial statements for periods beginning after December 15, 2006. The University has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

Reclassifications—Certain prior-year amounts have been reclassified to conform to current-year presentations.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS, CASH AND CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2006, the carrying amount of the University's cash and cash equivalents for all funds is $77,019,749, compared to bank balances of $81,737,793. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. Of the bank balances, $623,328 is covered by federal deposit insurance and $81,114,465 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The University's investment portfolio may include investments in the following:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds
- Commercial paper
- Corporate bonds and notes
- Common and preferred stock
- Asset-backed securities
- Private equity and venture capital

The University's endowment fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

US Government and Agency securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks who keep the investments in their safekeeping account in the appropriate custodial bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

The values of investments at June 30, 2006 and 2005, are as follows:

Type	2006	2005
Common stock	$ 4,908,225	$ 2,954,104
Equity mutual funds	49,953,796	42,992,277
US Government Obligations	1,610,905	1,427,894
US Government Agency Obligations	5,259,113	6,544,721
Mortgage-backed securities	729,890	198,492
Corporate bonds and notes	1,333,071	2,784,970
Bond mutual funds	44,573,978	46,040,148
Other	4,932,752	3,277,161
Total	$113,301,730	$106,219,767

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forward, futures, commodity, or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded.

Additional Disclosures Related to Interest-Bearing Investments—Statement Nos. 3 and 40 of the GASB require certain additional disclosures related to the interest rate, credit, and foreign currency risks associated with interest-bearing investments.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of June 30, 2006, maturities of the University's interest-bearing investments are as follows:

		Investment Maturities (In Years)			
Investment Type	**Fair value**	**Less than 1**	**1–5**	**6–10**	**More Than 10**
US Government Obligations	$ 1,610,905	$ -	$ 1,610,905	$ -	$ -
US Government Agency Obligations	5,259,113	942,000	4,218,739	98,374	
Mortgage-backed securities	729,890		22,197	408,412	299,281
Corporate bonds	1,333,071	299,670	1,033,401		
Bond mutual funds	44,573,978	8,070,872	17,310,527	15,886,536	3,306,043
Other	757,817	757,817			
Total	$ 54,264,774	$ 10,070,359	$ 24,195,769	$ 16,393,322	$ 3,605,324

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statements of net assets and is not represented by the contract or notional amounts of the instruments. Credit quality information, as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2006, are as follows:

		Credit Quality (Moody's)				
	Fair Value	**Aaa**	**Aa**	**A**	**Baa**	**Ba**
US Government Obligations	$ 1,610,905	$ 1,610,905	$ -	$ -	$ -	$ -
US Government Agency Obligations	5,259,113	5,259,113				
Mortgage-backed securities	729,890	729,890				
Corporate bonds	1,333,071		255,235	1,077,836		
Bond mutual funds	44,573,978	39,449,174	1,816,924	1,736,414	1,218,708	352,758
Other	757,817	757,817				
Total	$ 54,264,774	$ 47,806,899	$ 2,072,159	$ 2,814,250	$ 1,218,708	$352,758

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of June 30, 2006, the University has no custodial credit risk.

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2006, there were no single issuer investments that exceeded 5%.

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2006, the University's exposure to foreign currency risk is as follows:

Currency	**Equity Mutual Funds**	**Bond Mutual Funds**	**Other**
Australian dollar	$ 155,239	$ -	$ -
Chinese yuan	184,737	9,512	
Euro	3,603,686	76,100	129,605
Hong Kong dollar	184,319		
Japanese yen	1,914,858	275,859	
Pound Sterling	2,071,437	28,537	
South Korean won	179,810	28,537	
Swedish krona	57,706		18,515
Swiss franc	410,313		
Taiwan dollar	150,730	9,512	
Other foreign currencies	551,828	76,099	
Total	$ 9,464,663	$ 504,156	$ 148,120

3. ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2006 and 2005, is summarized as follows:

	2006	2005
Student receivables for fees, room, and board	$ 17,061,747	$ 13,899,341
Research and other sponsored programs	12,630,258	13,102,337
Other	10,366,946	10,446,144
	40,058,951	37,447,822
Less allowance for doubtful accounts	(4,717,779)	(3,981,405)
Net accounts receivable	$ 35,341,172	$ 33,466,417

4. NOTES RECEIVABLE

The University notes receivable at June 30, 2006 and 2005, is net of allowances for uncollectible amounts of $1,146,248 and $1,087,246, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through Federal contributions under Perkins and various nursing programs.

The University distributed $100,020,920 and $97,957,679 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2006 and 2005, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying statements of cash flows.

5. CAPITAL ASSETS

The following tables present the changes in the various fixed asset classes for the years ended June 30, 2006 and 2005, for the University:

	Balance July 1, 2005	Additions	Transfers In (Out)	Retirements	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$ 16,202,224	$ 14,000	$ -	$ -	$ 16,216,224
Land improvements	4,701,091				4,701,091
Construction in progress	59,353,941	40,026,418	(17,017,106)		82,363,253
Works of art and historical treasures	8,234,552				8,234,552
Total capital assets not being depreciated	88,491,808	40,040,418	(17,017,106)	-	111,515,120
Capital assets being depreciated:					
Infrastructure	90,735,111	542,096	3,869,353		95,146,560
Buildings	519,575,572	789,863	13,147,753		533,513,188
Machinery and equipment	98,563,436	8,080,278		(3,521,703)	103,122,011
Library books and publications	73,799,371	2,780,362			76,579,733
Transportation equipment	19,258,814	651,851		(719,762)	19,190,903
Total capital assets being depreciated	801,932,304	12,844,450	17,017,106	(4,241,465)	827,552,395
Total capital assets	890,424,112	52,884,868	-	(4,241,465)	939,067,515
Less accumulated depreciation:					
Infrastructure	30,563,599	4,148,215			34,711,814
Buildings	222,186,868	11,951,879			234,138,747
Machinery and equipment	61,451,358	8,188,588		(2,960,272)	66,679,674
Library books and publications	56,407,349	3,510,839			59,918,188
Transportation equipment	9,110,346	1,627,846		(476,058)	10,262,134
Total accumulated depreciation	379,719,520	29,427,367	-	(3,436,330)	405,710,557
Total capital assets being depreciated—net	422,212,784	(16,582,917)	17,017,106	(805,135)	421,841,838
Capital assets—net	$ 510,704,592	$ 23,457,501	$ -	$ (805,135)	$ 533,356,958

	Balance July 1, 2004	Additions	Transfers In (Out)	Retirements	Balance June 30, 2005
Capital assets not being depreciated:					
Land	$ 16,202,224	$ -	$ -	$ -	$ 16,202,224
Land improvements	4,701,091				4,701,091
Construction in progress	27,603,240	44,802,356	(12,832,927)	(218,728)	59,353,941
Works of art and historical treasures	8,203,552	35,000		(4,000)	8,234,552
Total capital assets not being depreciated	56,710,107	44,837,356	(12,832,927)	(222,728)	88,491,808
Capital assets being depreciated:					
Infrastructure	87,839,313		2,895,798		90,735,111
Buildings	507,520,908	2,154,522	9,937,129	(36,987)	519,575,572
Machinery and equipment	97,773,047	7,298,015		(6,507,626)	98,563,436
Library books and publications	70,758,305	3,041,066			73,799,371
Transportation equipment	18,120,984	2,756,095		(1,618,265)	19,258,814
Total capital assets being depreciated	782,012,557	15,249,698	12,832,927	(8,162,878)	801,932,304
Total capital assets	838,722,664	60,087,054	-	(8,385,606)	890,424,112
Less accumulated depreciation:					
Infrastructure	26,545,028	4,018,571			30,563,599
Buildings	210,482,826	11,734,552		(30,510)	222,186,868
Machinery and equipment	59,033,799	8,275,918		(5,858,359)	61,451,358
Library books and publications	52,903,757	3,503,592			56,407,349
Transportation equipment	8,509,646	1,543,718		(943,018)	9,110,346
Total accumulated depreciation	357,475,056	29,076,351	-	(6,831,887)	379,719,520
Total capital assets being depreciated—net	424,537,501	(13,826,653)	12,832,927	(1,330,991)	422,212,784
Capital assets—net	$ 481,247,608	$ 31,010,703	$ -	$ (1,553,719)	$ 510,704,592

On April 2, 2006, there was a valve failure in the chilled water system of Grover Center causing a 3-inch pipe on the third floor to burst . The burst pipe caused major water damage to 40–50% of the building. Grover Center, which houses the College of Health and Human Services’ offices and classrooms on the Athens campus, was built in 1960 and underwent $24,430,000 of major renovations ending in 2001. Following the cleanup of the water damage, the cost of restoration was determined to be $1,093,000 at June 30, 2006.

The restoration cost approach was used to determine the impairment loss to the building. Using a ratio of the carrying value of the building to the deflated restoration cost, the impairment loss was determined to be $785,500. The new carrying value of the building is $22,141,500 (original carrying value of $21,834,000 plus the restoration cost of $1,093,000 less the impairment loss of $785,500). This is reflected as a $307,500 increase to Capital Assets—net in the Statement of Net Assets.

In addition to the $1,093,000 in restoration costs for the building, expenditures totaling $447,900 for furniture, demolition, cleaning, etc., were recorded as Operating Expenses—Operation and maintenance of plant during 2006. The total insurable damage was $1,540,900 at June 30, 2006, and the total insurance recovery was $1,440,900. The expenditures of $1,540,900 less the insurance recovery of $1,440,900 reflects the University’s insurance deductible of $100,000.

The impairment loss of $785,500 was net with the insurance recovery of $1,440,900 to reflect a net increase to Operating Revenue—Other sources of $655,400 related to the water damage in Grover Center. Twenty-five percent of Grover Center was considered idle at June 30, 2006, which is $5,535,375 of the building’s carrying value.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2006 and 2005, consisted of the following:

	2006	2005
Accounts payable	$ 12,725,919	$ 14,075,403
Accrued liabilities	26,643,391	23,750,364
Total	$ 39,369,310	$ 37,825,767

7. BONDS AND NOTES PAYABLE

The University's bonds and notes payable at June 30, 2006 and 2005, are summarized as follows:

	July 1, 2005	Borrowed	Retired	June 30, 2006	Current
Subordinated general receipts bonds—series 2006C	$ -	$ 8,025,000	$ -	$ 8,025,000	$ -
Subordinated general receipts bonds—series 2006B		29,170,000		29,170,000	
Subordinated general receipts bonds—series 2006A		28,145,000		28,145,000	355,000
General receipts bond anticipation notes	7,650,000	7,050,000	7,650,000	7,050,000	7,050,000
Subordinated general receipts bonds—series 2004	52,430,000		2,670,000	49,760,000	510,000
Subordinated general receipts bonds—series 2003	45,285,000		3,400,000	41,885,000	3,600,000
Subordinated variable general receipts bonds—series 2001	33,535,000		4,800,000	28,735,000	2,584,160
General receipts bonds—series 1999	28,510,000		28,510,000	-	
Total bonds and notes payable	$ 167,410,000	$ 72,390,000	$ 47,030,000	$ 192,770,000	$ 14,099,160

	July 1, 2004	Borrowed	Retired	June 30, 2005	Current
Subordinated general receipts bonds—Series 2004	$ 52,885,000	$ -	$ 455,000	$ 52,430,000	$ 2,670,000
Subordinated general receipts bonds—Series 2003	47,860,000		2,575,000	45,285,000	3,400,000
General receipts bond anticipation notes	8,150,000	7,650,000	8,150,000	7,650,000	7,650,000
Subordinated variable general receipts bonds—Series 2001	37,115,000		3,580,000	33,535,000	4,797,739
General receipts bonds—Series 1999	29,370,000		860,000	28,510,000	895,000
Total bonds and notes payable	$ 175,380,000	$7,650,000	$15,620,000	$ 167,410,000	$19,412,739

On April 6, 2006, the University issued $29,170,000 in Subordinated General Receipts Bonds, Series 2006B, and $8,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2006C. The proceeds were used to pay part of the costs of construction of a 350-bed residence hall, and to finance the following: development of a Student Information System, an Energy Performance Contract, audio visual equipment and furniture, design costs for the renovation or demolition and re-construction of the Baker Center facility for the College of Communication, and design costs for the Integrated Learning and Research Facility. The balances outstanding for the Series 2006B and Series 2006C Bonds as of June 30, 2006, were $29,170,000 and $8,025,000, respectively. For Series 2006C, the variable rate of interest in effect at June 30, 2006, was 3.99%, and the average variable rate of interest for the year ending June 30, 2006, was 3.57%.

On February 16, 2006, the University issued $28,145,000 in Subordinated General Receipts Bonds, Series 2006A. The proceeds were used to refund the Series 1999 Bonds, as defined below. The balance outstanding as of June 30, 2006, was $28,145,000.

On January 19, 2006, the University issued General Receipts Bond Anticipation Notes (the "Superior Notes") totaling $7,050,000. The initial proceeds were used to finance the replacement of major administrative systems which included: human resources, payroll, finance and the purchase of an imaging system. The principal payment on the Notes was made as scheduled. Notes outstanding of $7,050,000 at June 30, 2006, mature on January 18, 2007, and bear an interest rate of 4.50%.

On March 15, 2004, the University issued $52,885,000 in Subordinated General Receipts Bonds, Series 2004. The proceeds were used to refund the Series 2003B notes, and for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2006, was $49,760,000.

On September 3, 2003, the University issued $47,860,000 in Subordinated General Receipts Bonds, Series 2003. The proceeds were used to refund the Series 1993 Bonds and the Series 2003A Notes. The balance outstanding as of June 30, 2006, was $41,885,000.

On May 3, 2001, the University issued $48,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2001. The proceeds were for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2006, was $28,735,000. The variable rate of interest in effect at June 30, 2006, was 3.99%. The average variable rate of interest for the year ending June 30, 2006, was 3.02%.

On October 3, 2001, the University entered into a swap agreement with Morgan Guaranty Trust Company of New York to hedge $31,020,000 of the University's Series 2001 Bonds. The swap agreement converts the Series 2001 Bonds' variable interest rate to a fixed rate of 4.039%, settled on the first day of each month. The total amount paid related to the swap agreement for the years ended June 30, 2006 and 2005, is $281,174 and $611,932, respectively. These amounts are included as an adjustment to interest on capital asset-related debt in the statements of revenues, expenses, and changes in net assets. As of June 30, 2006, the swap had a present value of $83,882. The University may be exposed to counterparty credit risk if the counterparty is obligated to make payments to the University. Though the swap had a positive present value as of June 30, the University is exposed to minimal credit risk as it continues to make monthly payments to the counterparty. The occurrence of a credit event with respect to the University or the counterparty, defined as a reduction in the long term bond rating to less than Baa2 by Moody's Investors Service, Inc. or BBB by Standard & Poor's, would result in termination of the swap agreement. As of June 30, 2006, no termination events have occurred.

On March 15, 1999, the University issued $32,520,000 in General Receipts Bonds, Series 1999, with which to pay construction costs on various building projects. On February 16, 2006, the Series 1999 Bonds were refinanced and rolled into the Series 2006A Bonds. Bonds payable does not include $28,510,000 of outstanding Ohio University Bonds, Series 1999 that were fully defeased on February 16, 2006. U.S. Treasury obligations are on deposit with US Bank National Association. The amount at maturity will be sufficient to pay the principal and interest on the defeased obligation.

The Superior Notes and the Series 1999 Bonds are bound by the provisions of a Trust Agreement dated June 1, 1972 (the "Prior Indenture") and its supplements as described below. The Prior Indenture and its supplements relate to the provisions of the Superior Notes and the Series 1999 Bonds. These obligations are secured by a gross pledge of and first lien on the General Receipts of the University. The General Receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted. The University has complied with all covenants of the Prior Indenture and its supplements.

The Series 2006A Bonds, the Series 2006B Bonds, the Series 2006C Bonds, the Series 2004 Bonds, the Series 2003 Bonds, and the Series 2001 Bonds are secured by a Trust Agreement dated May 1, 2001 (the "Subordinated Indenture") and its supplements as described below. While any Superior Obligations issued are outstanding, the pledge and lien on the General Receipts authorized and granted by the Subordinated Indenture are subordinate to the pledge and lien on the General Receipts that secure the Superior Obligations.

A First Supplemental Trust Agreement to the Subordinated Indenture binds the Series 2001 Bonds. A Second Supplemental Trust Agreement binds the Series 2003 Bonds. The Series 2003B Notes were issued pursuant to a Third Supplemental Trust Agreement. A Fourth Supplemental Trust Agreement binds the 2004 Bonds. A Fifth Supplemental Trust Agreement binds the Series 2006A Bonds. A Sixth Supplemental Trust Agreement binds the Series 2006B and Series 2006C Bonds.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2006
2001	Variable	2007–2027	$48,025,000	$ 28,735,000
2003	5.00%–5.25%	2007–2024	47,860,000	41,885,000
2004	2.00%–5.00%	2007–2032	52,885,000	49,760,000
2006A	3.50%–5.00%	2007–2025	28,145,000	28,145,000
2006B	3.75%–5.00%	2007–2037	29,170,000	29,170,000
2006C	Variable	2007–2018	8,025,000	8,025,000
				$185,720,000

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2006, are summarized as follows:

Years Ended June 30	Principal	Interest	Swap Interest	Total
2007	$ 7,049,160	$ 6,775,852	$ 961,774	$ 14,786,786
2008	10,545,000	7,050,540	895,087	18,490,627
2009	11,145,000	6,663,434	819,250	18,627,684
2010	10,340,000	6,264,147	747,138	17,351,285
2011	10,445,240	5,880,586	670,228	16,996,054
2012–2016	48,850,000	24,067,171	2,094,954	75,012,125
2017–2021	34,760,600	15,549,609	459,518	50,769,727
2022–2026	24,645,000	9,170,533	202,979	34,018,512
2027–2031	17,940,000	4,507,066	5,083	22,452,149
2032–2036	8,695,000	1,161,925		9,856,925
2037	1,305,000	58,725		1,363,725
	$185,720,000	$87,149,588	$6,856,011	$279,725,599

8. CAPITAL LEASES

The University has $92,349 in capital lease obligations that have varying maturity dates through 2008 and carry implicit interest rates ranging from 3.9% to 12.5%. Lease arrangements are being used to provide partial financing for certain movable equipment. Capital asset balances as of June 30, 2006, that are financed under capital leases are $200,941.

Capital leases as of June 30, 2006 and 2005, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2006	$ 119,147	$ 41,146	$ (67,944)	$ 92,349	$ 54,526
June 30, 2005	$ 212,164	$ -	$ (93,017)	$ 119,147	$ 55,047

The scheduled maturities of these leases as of June 30, 2006, are:

	Minimum Lease Payments
2007	$ 58,489
2008	39,153
Total minimum lease payments	97,642
Less amount representing interest	5,293
Net minimum capital lease payments	92,349
Less current portion	54,526
Noncurrent capital lease obligations	$ 37,823

9. OPERATING LEASES

The University leases various facilities and equipment under operating lease agreements. These facilities and equipment are not recorded as assets in the balance sheet. The total rental expense under these agreements was $2,271,844 for the year ended June 30, 2006.

Future minimum payments for all significant operating leases with initial terms in excess of one year as of June 30, 2006, are as follows:

Years Ended June 30	
2007	$ 2,040,788
2008	1,158,806
2009	797,470
2010	265,492
2011	91,052
2012–2016	184,455
2017–2021	83,646
Total minimum lease payments	$ 4,621,709

10. COMPENSATED ABSENCES

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2006 and 2005, amounted to approximately $9,662,060 and $9,329,000, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50% of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2006 and 2005, amounted to approximately $4,110,000 and $4,340,000, respectively.

A summary of compensated absences as of June 30, 2006 and 2005, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2006	$ 13,669,269	$ 11,210,879	$ (11,107,829)	$ 13,772,319	$ 750,000
June 30, 2005	$ 12,591,958	$ 13,432,958	$ (12,355,647)	$ 13,669,269	$ 1,002,000

11. RETIREMENT PLANS

Defined Benefit Plans—All University employees are eligible to participate in contributory retirement plans that are administered by the Ohio Public Employees Retirement System of Ohio ("OPERS") and the State Teachers Retirement System of Ohio ("STRS"). The particular system in which the employee enrolls is dependent on their position with the University. Both OPERS and STRS are cost sharing, multiple-employer defined benefit pension plans. Both systems provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The payroll for employees covered by OPERS and STRS for the year ended June 30, 2006, is $94,072,000 and $78,719,000, respectively. The payroll for employees covered by OPERS and STRS for the year ended June 30, 2005, is $92,279,000 and $77,642,000, respectively. For the years ended June 30, 2006 and 2005, the University's total payroll is $251,014,000 and $245,416,000, respectively.

Both OPERS and STRS issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-PERS (7377). The STRS report may be obtained by making a written request to 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090 or 1-888-227-7877.

Defined Contribution Plans—The Alternative Retirement Plan ("ARP") is a defined contribution pension plan, under IRS section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted the University's plan on April 18, 1998. Full-time salaried employees are eligible to choose a provider, in lieu of OPERS or STRS, from the list of eight providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS and OPERS are required for ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the alternative retirement plan. Under this plan, employees who would have otherwise been required to be in STRS or OPERS and who elect to participate in the ARP must contribute the employee's share of retirement contributions (10.0% STRS or 9.0% OPERS) to one of eight private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 0% for OPERS and 3.5% for STRS for the year ended June 30, 2006. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Retirement Plan Funding—The Ohio Revised Code provides statutory authority for employee and employer contributions to retirement systems. The 2006 employee contribution rates for state employers are 9.0% of covered payroll for OPERS, 10.1% of covered payroll for law enforcement employees, and 10.0% of covered payroll for STRS. The 2006 employer contribution rates for state employers is 13.54% of covered payroll for OPERS, 16.93% of covered payroll for law enforcement, and 14.0% of covered payroll for STRS. The employee and employer rates are the same for ARP employees as the retirement system under which they would otherwise be. However, for those who would otherwise be covered by STRS, 3.5% of the employer contribution goes to the STRS retirement system. The University's contributions each year are equal to its required contributions.

University contributions for the current and two preceding years are summarized as follows:

	Employer Contributions		
	STRS	OPERS	ARP
2006	$11,020,000	$12,628,000	$6,931,000
2005	10,870,000	12,282,000	6,660,000
2004	10,474,000	12,009,000	6,053,000

Other Post-Employment Benefits—In addition to the pension benefits described above, Ohio Law provides that the University fund postretirement health care benefits to retirees and their dependents through employer contributions to the Ohio Public Employees Retirement System of Ohio ("OPERS") and the State Teachers Retirement System of Ohio ("STRS").

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit ("OPEB") as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2006 employer contribution rate for state employers was 13.54% of covered payroll of which 4.0% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions, the 2004 employer rate was 16.93% and 4.0% was used to fund health care. The number of active contributing participants were 376,109.

The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 (the date of the system's latest actuarial review) is $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, is $29.5 billion and $18.7 billion, respectively.

STRS provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code ("ORC"), the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14.0% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the Board allocated employer contributions equal to 1.0% of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2004, 1.0% of covered payroll was allocated to the fund. The balance in the Health Care Stabilization Fund was approximately $3.3 billion on June 30, 2005, the date of the most recent information available from STRS.

For the year ended June 30, 2005, the date of the most recent information available from STRS, net health care costs paid by STRS were $254,780,000. There were 115,395 eligible benefit recipients.

12. EARLY RETIREMENT INCENTIVE PLAN

In FY 2006, the University Board of Trustees approved an Early Retirement Incentive Plan ("ERIP") buyout for eligible employees in the Ohio Public Employees Retirement System ("OPERS"). An ERIP allows the University to purchase additional service credit, in this case one year, which enables eligible employees to retire early or to retire with a larger retirement benefit than they may have otherwise. The buyout period began on April 1, 2006. The period remains open until August 31, 2007. A $10,000 incentive was offered to employees who signed up for the buyout by April 28, 2006, and who would retire by July 1, 2006. Eligible employees are those eligible to retire with five years of service at age 60, 25 years of service at age 55, or 30 years of service at any age; who become eligible to retire due to the incentive plan; who become eligible to retire during the open period; or who become eligible due to purchasing additional service credit, i.e., exempt, refunded, military, or other eligible time.

As of June 30, 2006, 77 employees had signed up for the ERIP for a total cost of approximately $2.6 million which includes sick and vacation payouts in accordance with standard policy, the $10,000 incentive bonus for the 67 employees who left by July 1, 2006, and the OPERS payment calculated and billed by OPERS.

13. RISK MANAGEMENT AND CONTINGENCIES

Legal—During the normal course of operations, the University has become a defendant in various legal and administrative actions. In accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of in-house legal counsel and University management, the disposition of all pending litigation would not have a material adverse effect on the University's financial position.

Self-Insurance—The University provides medical and dental coverage for its employees on a self-insurance basis. Expenses for claims are recorded on an accrual basis based on the date claims are incurred. The University applies GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

A summary of changes in the self-insurance claims liability for each of the periods in the three-year period ended June 30, 2006, is as follows:

	2006	2005	2004
Accrued claims liability—beginning of year	$ 3,644,000	$ 3,500,000	$ 3,571,000
Incurred claims—net of favorable settlements	33,103,688	30,343,446	27,932,000
Claims paid	(33,103,688)	(30,199,446)	(28,003,000)
Accrued claims liability—end of year	$ 3,644,000	$ 3,644,000	$ 3,500,000

Liability for claims is accrued based on estimates of the claims liabilities made by the University's third-party actuary. These estimates are based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

Commercial Insurance Coverage—The University has the following commercial insurance policies:

Type	Deductible	Coverage
Property	$ 100,000	$ 1,000,000,000
Excess		50,000,000
Aircraft and airport	50,000	5,000,000–50,000,000
Primary umbrella		4,000,000
Crime	100,000	5,000,000
General	100,000	1,000,000
Educators legal	100,000	1,000,000
Automobile	100,000	1,000,000
Police professional	100,000	1,000,000
Foreign		1,000,000

Workers' Compensation Coverage—The University participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from participating state agencies and universities in the subsequent year.

14. CAPITAL PROJECT COMMITMENTS

At June 30, 2006, the University is committed to future capital expenditures as follows:

Contractual commitments	$23,909,267
Estimated completion costs of projects	47,076,797
	$70,986,064

These projects will be funded by:	
State appropriations	$15,424,339
University funds (including bond funds)	53,024,331
Gifts, federal grants, and other	2,537,394
	$70,986,064

15. OTHER NONCURRENT LIABILITIES

Refundable Advances for Federal Student Loans—Refundable advances for federal student loans for the years ended June 30, 2006 and 2005, respectively, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2006	$10,248,823	$ 473,997	$ (56,069)	$10,666,751	$ -
June 30, 2005	$ 7,781,778	$2,748,683	$(281,638)	$10,248,823	$ -

16. DONOR-RESTRICTED ENDOWMENTS

Under the standard established by Section 1715.56 of the Ohio Revised Code, an institution may appropriate so much as is prudent of the realized and unrealized net appreciation of the fair value of the assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowment fund is established. The University's endowment spending policy is based on the concept of total return and the spending rate for FY 2006 was 5%.

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the Board are $12,320,711 and $14,547,823 for June 30, 2006 and 2005, respectively. Those amounts are reported as restricted expendable net assets.

17. INTERNAL DESIGNATION OF FUNDS

The University's Statement of Net Assets shows $71,759,176 and $62,515,364 for Unrestricted Net Assets as of June 30, 2006 and 2005, respectively. Internally those funds have been designated as follows:

	2006	2005
Quasi endowments	$ 13,989,827	$ 13,601,294
Auxiliary enterprises	8,197,145	7,178,096
Educational and general	49,572,204	41,735,974
	$ 71,759,176	$ 62,515,364

18. THE OHIO UNIVERSITY FOUNDATION

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 144-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn. The Foundation's other wholly owned subsidiary, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student-housing complex in Athens, Ohio. The Foundation also owns a minority interest in Diagnostic Hybrids, Inc. ("DHI"), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories. The Foundation consolidates a supporting organization that is deemed to be financially interrelated under the provisions of Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*.

Basis of Accounting—The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiaries—the Inn, Housing, and one supporting organization. All intercompany transactions have been eliminated.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk—Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of contributions receivable, investments for the Foundation, and receivables related to operations of the Inn. Exposure to losses on contributions receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's consolidated statements of financial position and activities.

Regarding the Inn, the management company that operates the Inn is responsible for collection of receivables. Additionally, the Inn provides a reserve for any estimated uncollectible balances.

Gifts and Contributions—Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable remainder trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor’s death.

Pledges Receivable—Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate. The discount rate utilized was 4.87% for fiscal 2006 and 3.04% for fiscal year 2005. Amortization of the discounts is included in contribution revenues. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

Intentions—The Foundation receives communications from donors indicating that the Foundation has been included in the donor’s will or life insurance policy as beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of the donor’s death, the will is declared valid by a probate court, and the proceeds are measurable.

Cash Surrender Value of Insurance Policies—The Foundation records as an asset the cash surrender value of insurance policies for which it is the owner and beneficiary.

Investments—Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities.

Income From Investments—All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on permanently restricted, temporarily restricted, and unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor.

Property and Equipment—Property and equipment are recorded at the estimated fair value, if received as a gift, or at the purchase cost, plus any expenditures for improvements.

Depreciation of buildings is recorded over periods ranging from 10 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements is recorded over periods ranging from 5 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2006 and 2005.

Restricted Cash—Restricted cash represents cash that, under terms of the bond issue trust indenture agreement ("Trust Indenture"), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Additionally, restricted cash represents partial proceeds of a term loan by the Inn that are held in escrow to retire a previous bond issue.

Functional Allocation of Expenses—The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes—The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. Unrelated income taxes for Ohio University Inn totaled $93,241 and $40,948, for the years ended June 30, 2006 and 2005, respectively.

Fair Value of Financial Instruments—The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2006 and 2005, except for notes receivable. The fair value of the notes receivable is not necessarily determinable given the terms of the notes.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies in accordance with Statement of Financial Accounting Standards ("SFAS") No. 107, *Disclosures About Fair Value of Financial Instruments*. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

Advertising Costs—Advertising costs of the Inn are included in marketing expenses and are expensed as incurred.

Net Assets:

Unrestricted Net Assets—The unrestricted net assets consist of operating funds available for any purpose authorized by the board of trustees.

Unrestricted net assets as of June 30, 2006 and 2005, are available for the following purposes:

	2006	2005
Board-designated quasi endowment	$ 9,817,429	$ 9,361,421
Board-designated—other:		
Board-designated 1804 fund	571,645	405,870
Board-designated carry forward	167,985	764,774
	739,630	1,170,644
Designated underwater accounts	(3,376,957)	(4,241,091)
Undesignated Housing	(2,665,221)	(1,849,205)
Undesignated	(2,580,124)	(2,583,272)
Unrestricted net assets	$ 1,934,757	$ 1,858,497

Temporarily Restricted Net Assets—Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor.

Temporarily restricted net assets as of June 30, 2006 and 2005, are available for the following purposes:

	2006	2005
Alumni relations	$ 1,016,755	$ 865,486
Institutional support	9,558,184	5,145,611
Instruction and departmental support	42,573,089	28,910,051
Academic services support	9,471,491	9,263,354
Intercollegiate athletics support	652,964	785,626
Student services	1,440,314	1,121,640
Scholarships and fellowships	35,448,690	30,975,935
Public services	348,793	401,226
Research	1,226,042	390,892
Fund-raising and development	9,117,499	989,970
Other	18,585	115,568
	$110,872,406	$78,965,359

Permanently Restricted Net Assets—Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses as authorized from time to time by the donor.

Permanently restricted net assets as of June 30, 2006 and 2005, are available for the following purposes:

	2006	2005
Alumni relations	$ 1,370,728	$ 1,396,058
Institutional support	1,587,638	2,014,893
Instruction and departmental support	46,971,965	45,727,838
Academic services support	4,445,588	3,873,576
Intercollegiate athletics support	126,007	101,528
Student services	2,007,604	2,060,465
Scholarships and fellowships	46,871,570	44,315,114
Public services	309,308	312,004
Research	2,038,600	1,636,608
Fund-raising and development	215,491	147,522
Other	46,453	47,750
	$105,990,952	$101,633,356

Pledges Receivable—Included in pledges receivable for unconditional promises to give at June 30, 2006 and 2005, are as follows:

	2006	2005
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$35,546,013	$9,806,073
Less allowance for uncollectibles	6,777,974	1,783,246
Subtotal	28,768,039	8,022,827
Less unamortized discount	1,626,519	140,215
Unconditional promises to give—net	$27,141,520	$7,882,612

	2006		2005	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 7,130,435	$1,755,593	$2,205,437	$1,595,857
One to five years	12,620,406	1,196,173	2,171,083	1,818,885
More than five years	4,423,410	15,503	68,960	22,390
Total	$24,174,251	$2,967,269	$4,445,480	$3,437,132

Investments in Securities—The cost and market value of the investments in securities at June 30, 2006 and 2005, are as follows:

	2006		2005	
	Cost	**Market**	**Cost**	**Market**
Common and preferred stock	$ 110,069,564	$ 113,352,171	$ 92,779,201	$ 98,095,523
Short-term cash investments	2,396,620	2,328,239	4,306,758	4,240,527
Bonds and debentures	6,843,308	6,789,970	21,153,356	20,991,282
Alternative investments	48,055,921	55,239,824	38,378,113	38,743,513
Total investments	$ 167,365,413	$ 177,710,204	$ 156,617,428	$ 162,070,845

At June 30, 2006 and 2005, the Foundation's investment in DHI was recorded at fair market value of $6,744,380 and $6,556,712, respectively (cost of $3,467,829 at June 30, 2006 and 2005). At June 30, 2006, the Foundation's supporting organization held an investment in a closely held stock at fair market value of $2,298,800. Both the investment in DHI and the closely held stock are included within alternative investments. Other types of alternative investments include absolute return funds, venture capital, buyout, mezzanine/distressed debt, and real estate.

Property and Equipment—As of June 30, 2006 and 2005, property and equipment (primarily relating to Housing and the Inn) are as follows:

	2006	**2005**
Land	$ 805,198	$ 805,198
Land improvements	419,726	366,972
Building and building improvements	35,345,954	35,270,146
Furnishings, fixtures, and equipment	3,646,099	3,999,237
Construction in progress	34,210	
	40,251,187	40,441,553
Less accumulated depreciation and amortization	(9,120,667)	(8,218,446)
Property and equipment—net	$ 31,130,520	$ 32,223,107

Total depreciation expense of $1,505,035 and $1,279,389 was recorded in fiscal years 2006 and 2005, respectively.

Notes Receivable and Related Parties—In November 1997, the Foundation approved a loan totaling $75,000 to Electronic Vision, Inc. ("EVI"), which was used for marketing and distribution of an interactive CD that contains credit hours of instruction on filming and a library of reference. The project is used to continue to promote Ohio University as a filmmaking school, and can be used as a distance-learning tool. Total outstanding notes related to EVI are $0 and $49,761 at June 30, 2006 and 2005, respectively.

Support From Ohio University—During 2006 and 2005, the University paid certain payroll costs amounting to $3,339,852 and $2,469,006 and additional costs of $25,000 and $751,826, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

The University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as University support because they are not considered to be material to the results of activities of the Foundation.

Split-Interest Agreements:

Charitable Gift Annuities—Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2006 and 2005, ranged from 3.8% to 9.4%.

Charitable Remainder Trusts—Under charitable remainder trust agreements, the Foundation serves as the remainderman, whereby the Foundation will receive the net assets of the trust upon death of the donor's beneficiary. During the life of the trust, the donor, or the donor-designated beneficiary, will receive regular payments as established by the trust.

In instances where the donor has not specifically reserved the right to change the remainderman, and all assets of charitable remainder trusts are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation will recognize, as contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. The trustee disburses income earned on the assets of the charitable remainder trusts to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate established at the beginning of the trust. At June 30, 2006 and 2005, the discount rate applied to the charitable remainder trusts was 4.87% and 3.04%, respectively.

Certain charitable remainder trust transactions are not reported on the consolidated statements of financial position or the consolidated statements of activities, as in these cases the remainderman can be changed by the donor prior to his/her death.

Adjustments to the receivable to reflect amortization of the discount, revaluation of the present value of the estimated future payments to the donor-designated beneficiaries, and changes in actuarial assumptions during the term of the trust will be recognized as changes in the value of split-interest agreements. Upon the death of the donor-designated beneficiaries, the receivable is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements.

Revocable Trusts—Under revocable trust agreements, the Foundation serves as the remainderman, whereby the Foundation will receive the net assets of the trust upon death of the donor's beneficiary. All assets of the trusts may be maintained by a third-party trustee for the benefit of the Foundation, or by the Foundation if named as a trustee. The trustee disburses income earned on the assets of trusts to the donor or donor-designated beneficiaries. Under revocable trust agreements, the donor maintains the ability to legally dissolve the trusts and may or may not reserve the right to change the remainderman. For these reasons, the Foundation does not report revocable trust transactions on the consolidated statement of financial position or the consolidated statement of activities if the trust is held by a third-party trustee.

Inn-Ohio of Athens, Inc.:

The Ohio University Inn (the "Inn") was purchased by the Foundation on August 30, 1986. The primary purpose for which the Foundation invested in the Inn was to provide affordable and convenient housing, dining, and conference facilities for the University employees, alumni, and guests. As a significant portion of the Inn's revenues is derived from these customers, the Foundation is committed to financially supporting the Inn.

The Inn's business is subject to all of the risks inherent in the lodging industry. These risks include, among other factors, varying levels of demand for rooms and related services, adverse effects of general and local economic and market conditions, changes in governmental regulations that influence wages or prices, changes in interest rates, the availability of credit and changes in real estate taxes and other operating expenses, and the recurring need for renovation, refurbishment, and improvements.

Operations—The Inn's operations for the years ended June 30, 2006 and 2005, are summarized below:

	2006	2005
Revenue	$ 4,313,636	$ 4,207,012
Operating and general expenses	3,439,046	3,397,226
Depreciation and amortization	529,117	433,830
Interest expense—net	23,303	28,160
Provision for income taxes	93,241	40,948
Total expenses	4,084,707	3,900,164
Net income	228,929	306,848
Dividends paid to Foundation	(3,000,000)	(200,000)
Unrealized gains (losses)	(52,881)	31,570
Change in net assets	$ (2,823,952)	$ 138,418

Effective November 30, 1996, a management agreement (the "Management Agreement") was entered into with Winegardner & Hammons, Inc. (the "Manager"). The Management Agreement was amended during fiscal 2001 to automatically renew annually unless notified in writing 60 days prior to the end of the fiscal year. The Manager's compensation is a base fee plus 15% of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2006 and 2005, base management fees incurred by the Inn with respect to the Manager were $100,000 and $100,000 and incentive fees were $96,139 and $87,161, respectively.

As of June 30, 2006 and 2005, the Inn has net operating loss carryforwards of $0 and $65,000, respectively, for Federal income tax purposes. In addition, the Inn has AMT credit carryforwards of approximately $54,000 at June 30, 2006 and $60,000 at July 1, 2005, which have indefinite lives. The Inn has reflected deferred income taxes at a 40% tax rate, which represents a blended statutory federal and state income tax rate. As of June 30, 2005, the Inn has recorded a valuation allowance of approximately $54,373, due to the uncertainty of the future realizability of its remaining net deferred tax asset carryforwards, in accordance with the provisions of SFAS No. 109, which was reversed in 2006.

Debt Obligations—Long-term debt of the Inn as of June 30, 2006 and 2005, consists of the following:

	2006	2005
Term loan—interest at 6.20% through June 2011	$4,000,000	$ -
1996 Serial Project Bonds:		
5.95% due November 1, 2005		130,000
6.05% due November 1, 2006	140,000	140,000
1996 Term Project Bonds—6.25%, at 97.61%, due November 1, 2011, but anticipated to be redeemed in November 2006	830,000	830,000
	4,970,000	1,100,000
Less unamortized discount on Series 1996 Bonds	(7,143)	(8,351)
Total	$4,962,857	$1,091,649

The 1996 Serial and Term Project Bonds (the "Bonds") are secured by a mortgage on the Inn and a security agreement granted by the Inn. These Bonds are also guaranteed by the Foundation from unrestricted money and investments.

The 1996 Term Project Bonds require the Inn to make monthly payments to a trustee. These payments accumulate in the bond fund to pay principal and interest on the Bonds. Principal payments are due annually on November 1; interest payments are due semiannually each May 1 and November 1 and are payable from the bond fund. The 1996 Serial Project Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption.

In June 2006, the Company obtained a $4,000,000 term loan, the proceeds of which were used to pay a dividend of $3,000,000 in June 2006 and $1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds. A prepayment option is available to the Inn after November 1, 2006. The balance in the bond fund at June 30, 2006 and 2005, was $1,016,773 and $98,176, respectively.

Substantially all of the property and equipment is pledged as collateral for the term loan. The interest rate on the new term loan is fixed at 6.20% through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40% in June 2011 and every five years thereafter.

The 1996 Bonds maturing in November 2011 are subject to a mandatory sinking fund requirement to be deposited as set forth in the following schedule:

November 1	Amount
2007, includes $7,143 of unamortized discount on the Series 1996 Bonds	$1,129,757
2008	177,600
2009	188,900
2010	201,000
2011	213,800
Due thereafter	3,051,800
Total	$4,962,857

The fair value of the debt obligations at June 30, 2006 and 2005, approximated their carrying value.

Housing for Ohio, Inc.:

In November 1999, the Foundation established Housing for Ohio, Inc. ("Housing"), a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property owned by Ohio University and leased to Housing. The facility is managed and operated by a private entity.

Debt—In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on their knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12%. The average interest rate for the years ended June 30, 2006 and 2005, was 3.02% and 1.89%, respectively, and the actual interest rate at June 30, 2006 and 2005, was 4.02% and 2.62%, respectively.

As collateral, until all principal and interest on any of the 2000 Bonds has been paid, Housing has pledged, assigned, and granted a security interest to its right, title, and interest in gross revenues of University Courtyard and related assets. The Foundation has made no additional pledge of assets or revenues to the 2000 Bonds, which are nonrecourse to the Foundation.

Principal payments for the bonded debt for the years subsequent to June 30, 2006, are summarized as follows:

Years Ending June 30	Principal
2007	$ 530,000
2008	575,000
2009	635,000
2010	670,000
2011	705,000
Thereafter	27,490,000
Total	$30,605,000

Debt issuance costs are included in property on the statement of financial position and are amortized over the term of the Bonds. Amortization during the years ended June 30, 2006 and 2005, was $34,965 and $34,965, respectively.

Additionally, Housing has an outstanding promissory note to the Project's developer in the amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of inputed interest on this note are not material to the financial statements. Maturities of the note payable are set forth in the following schedule at June 30, 2006:

Year Ending June 30	**Principal**
2007	$ 70,000
2008	70,000
2009	70,000
2010	70,000
2011	70,000
Thereafter	210,000
Total	$ 560,000

Litigation—On November 26, 2003, the project's developer filed a complaint against Housing and another party to recover $631,027 related to development fees associated with the development of the Project. A liability of $481,027 related to the development fee claim was recorded in Housing's consolidated financial statements at June 30, 2003. On January 26, 2004, Housing filed an answer to the complaint and filed a counterclaim in the amount of $1,000,000 representing its claim to recover excess expenditures incurred in development costs over an amount contractually designated as maximum development cost.

* * * * * *

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: 614-221-1000
Fax: 614-229-4647
www.deloitte.com

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*

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University (the "University") as of and for the year ended June 30, 2006, and have issued our report thereon dated October 18, 2006. 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 *Governmental 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 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 reportable 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 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

We noted certain matters that we have reported to management of the University in a separate letter dated October 18, 2006.

This report is intended solely for the information and use of the Board of Trustees, management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the 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 18, 2006

Ohio University
(A Component Unit of the State of Ohio)

Report on Federal Awards in Accordance
With OMB Circular A-133 for the
Year Ended June 30, 2006

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

TABLE OF CONTENTS

OHIO UNIVERSITY

(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
STUDENT AID CLUSTER:			
Department of Education:			
Supplemental Educational Opportunity Grants	84.007	P007A023342	$ 1,193,060
Supplemental Educational Opportunity Grants (PR YR)	84.007	P007A023342	(61)
College Workstudy Program	84.033	PO33A023342	932,158
College Workstudy Program (JLD)	84.033	P007A023342	22,092
Federal Direct Student Loan	84.268		100,020,920
Pell Grant Program	84.063	P063P021330	16,776,346
Pell Grant Program (PR YR)	84.063	P063P021330	4,058
Total Department of Education			118,948,573
Department of Health and Human Services—			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	1 T08HP04956-01-00	155,369
Total Department of Health and Human Services			155,369
TOTAL STUDENT AID CLUSTER			$119,103,942
RESEARCH AND DEVELOPMENT CLUSTER:			
Appalachian Regional Commission—			
Pass-Through Programs from—			
It Alliance of Appalachian Ohio	23.002	OH-14911-0-l	$ 224,340
Total Appalachian Regional Commission			224,340
Corporation for National and Community Service—			
Pass-Through Programs from—			
Sojourner Care Network	94.XXX		758
Total Corporation for National and Community Service			758
Department of Agriculture:			
Direct Programs:			
Removal Control Japanese Stilt	10.XXX	05-JV-11242328-027	5,742
Injury and Mortality Risks	10.XXX	06-JV-11242328-002	8,054
Leaf Area Index Se Ohio	10.XXX	05-JV-11242328-126	3,804
Forestry Research	10.652	03-CA-11242343-034/04-111/05-120	596
Forestry Research	10.652	05-CA-11242343-109	5,000
Forestry Research	10.652	03-CA-11242343-072/04-CA-11242343-133	15,077

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Forestry Research	10.652	04-CA-11242343-035	$ 592
Forestry Research	10.652	04-CA-11242343-130	10,474
Forestry Research	10.652	05-CA-11242343-008	402
Forestry Research	10.652	05-CA-11242343-025	401
Subtotal Direct Programs			50,142
Pass-Through Programs from:			
Maryland Forests Association	10.XXX		6,000
Ohio State University Research Foundation	10.200	2002-34490-11919/2004-34490-14579	63,880
University of Nebraska Lincoln	10.200	25-6205-0034-030	9,623
Subtotal Pass-Through Programs			79,503
Total Department of Agriculture			129,645
Department of Commerce—			
Direct Programs:			
National Institute of Standards and Technology			
Measurement and Engineering Research and Standards	11.609	70NANB5H1101	4,599
Measurement and Engineering Research and Standards	11.609	60NANB5D1089	49,909
Measurement and Engineering Research and Standards	11.609	60NANB3D1122	3,678
Total Department of Commerce			58,186
Department of Defense:			
Direct Programs:			
Air Force:			
Basic, Applied, and Advanced Research			
Air Force Defense Research Sciences Program	12.800	FA9550-05-1-0495	14,980
Air Force Defense Research Sciences Program	12.800	F49620-03-1-0004	9,941
Air Force Defense Research Sciences Program	12.800	FA9550-05-1-0496	14,976
			39,897
U.S. Army:			
U.S. Army Corp of Engineers—Basic Scientific Research	12.431	W911NF-04-1-0159	24,525
U.S. Army Corp of Engineers—Propellants in Grasses	12.XXX	W912HZ-05-P-0117	21,788
U.S. Army Corp of Engineers—LT Diamondback Terr Monitor	12.XXX	W912DR-05-P-0386	22,493
U.S. Army Medical Research Acquisition— Dietary Energy Requirements	12.XXX	DAMD17-95-1-5053	114,189
			182,995
Office of the Chief of Naval Research—			
In-Situ Polarized	12.300	N00014-05-1-0418	193,893
Hadrons In Leptonic Jet	12.XXX	N000173-05-2004	14,086
			207,979
Subtotal Direct Programs			430,871
Pass-Through Programs from:			
ARINC	12.XXX	DAAB07-03-D-B006	189,438
			189,438

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Austral Engineering and Software	12.XXX	FA8650-04-M-3435/FA8650-05-C-3520	$ 134,273
Dayton Area Graduate Studies Institute	12.XXX		29,951
Dayton Area Graduate Studies Institute	12.XXX		47,813
Defense Advanced Research Project	12.910	F33615-01-C-1834	(46,597)
Florida Air National Guard	12.XXX	W911YN-06-P-0002	190,506
Science Applications International Corporation	12.XXX	DAAD13-03-D-0017	25,237
			381,183
Innovative Scientific Solutions	12.XXX	FA8650-05-M-2597	18,000
Innovative Scientific Solutions	12.XXX		21,034
Innovative Scientific Solutions	12.XXX	F33615-03-D-2829	16,303
			55,337
Iten Industries	12.XXX		33,164
ITT Industries	12.XXX	N00173-03-C-2037	99,179
Ladish Company, Inc	12.800	F33615-99-2-5215	56,114
Nanohmics, Inc.	12.XXX	FA 9543-05-M-0098	31,000
Nanohmics, Inc.	12.XXX	FA8650-05-M-2514/FA8650-05-C-2628	59,625
			90,625
National Reconnaissance Office	12.XXX	NRO000-01-C-0677	63,609
Raytheon Company	12.XXX	NBCHC030123	
Rockwell Collins, Inc.	12.XXX		68,232
Spectral Systems, Inc.	12.XXX	FA8620-05-G-3015-0002	233,446
			365,287
Thales ATM, Inc.	12.XXX		14,363
Trandes Corporation	12.XXX	N66001-00-D-5034	14,846
UES, Inc.	12.XXX	M67854-05-C-0014/06-C-0017	31,795
UES, Inc.	12.XXX		18,082
UES, Inc.	12.XXX	FA9550-05-C-0099	30,000
			79,877
Ultramet	12.XXX	N00014-03-C-0304	22,600
Universal Technology Corporation	12.XXX	F33615-03-D-5801	20,516
University of Colorado	12.431	W911NF-04-1-0281	16,695
University of Illinois at Chicago	12.XXX	W81XWH-04-1-0201	9,586
			26,281
Subtotal Pass-Through Programs			1,448,810
Total Department of Defense			1,879,681
Department of Education:			
Direct Programs:			
Overseas Faculty Research Abroad	84.019A	P019A040033	3,027
Subtotal Direct Programs			3,027

(Continued)

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Pass-Through Programs from:			
Community Action Commission of Belmont County	84.213		$ 11,627
Northern Illinois University	84.XXX		7,305
Lancaster Even Start	84.213		2,487
Westat Inc	84.XXX	ED-04-CO-0059	2,494
Subtotal Pass-Through Programs			23,913
Total Department of Education			26,940
Department of Energy:			
Direct Programs:			
Evaluation of Finae Particulate Matter	81.XXX	DE-FC26-03NT41723	158,057
Planar Solid Oxide Fuel Cells	81.XXX	DEOFG36-03GO13059	910,505
			1,068,562
Office of Science Financial Assistance Program	81.049	DE-FG02-93ER40756	255,143
Office of Science Financial Assistance Program	81.049	DE-FG02-88ER40387	259,613
Office of Science Financial Assistance Program	81.049	DE-FG02-02ER46012	81,461
			596,217
University Coal Research	81.057	DE-FG26-05NT42527	7,702
Renewable Engergy Research and Development	81.087	DE-FG36-05GO85029	395,630
Stewardship Science Grant Program	81.112	DE-FG52-06NA26187	99,529
Stewardship Science Grant Program	81.112	DE-FG52-03NA00074	269,377
			368,906
University Reactor Infrastructure and Education Support	81.114	DE-FG02-02ER41218	22,910
Subtotal Direct Programs			2,459,927
Pass-Through Programs from:			
Advanced Technology Systems	81.XXX	DE-FC26-02NT41476	109,052
Applied Sciences Inc	81.XXX	DE-FG02-05ER86237	40,000
Lawrence Livermore National Laboratory	81.XXX	W-7405-ENG-48	21,997
			21,997
S E Universities Research Assoc	81.XXX	DE-AC05-84ER40150	40,449
S E Universities Research Assoc	81.XXX	DE-AC05-84ER40150	17,007
			57,456
Stanford University	81.XXX		8,000
The Edison Material Technology Center	81.XXX	DE-FC36-04GO14215	23,744
University of Pittsburgh	81.089	DE-FC26-05NT42302	4,975
University of Nevada Reno	81.118	DE-FC26-01NT41164	5,869
Subtotal Pass-Through Programs			271,093
Total Department of Energy			2,731,020

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of Health and Human Services:			
Direct Programs:			
National Institute of Health:			
Research Related to Deafness and Communication Disorders	93.173	5 R01 DC005063	$ 465,329
Research Related to Deafness and Communication Disorders	93.173	R01 DC004922	118,702
Research Related to Deafness and Communication Disorders	93.173	1 R03 DC006161	60,480
			644,511
Mental Health Research Grants	93.242	5 R01 MH057832	161,689
Mental Health Research Grants	93.242	R01 MH067566	569,822
			731,511
Alcohol Research Programs	93.273	5 R01 AA014294	189,297
Drug Abuse Research Programs	93.279	R01 DA013939	126,273
National Center for Research Sources	93.389	1 R25 RR020447	113,242
Academic Research Enhancement Award	93.390	2 R15 GM057640-03A1	25,297
Cancer Cause and Prevention Research	93.393	R01 CA086928	89,448
Cancer Cause and Prevention Research	93.393	1 R03 CA112639	60,822
			150,270
Cancer Treatment Research	93.395	1 R15 CA098036-01A1	61,622
Cancer Research Manpower	93.398	3 K01 CA79743	131,415
Digestive Diseases and Nutrition Research	93.848	K01 DK064905	134,198
Blood Diseases and Resources Research	93.839	R01 HL077438	83,313
Diabetes, Endocrinology And Metabolism Research	93.847	R34 DK071545	4,487
Kidney Diseases, Urology, and Hematology Research	93.849	1 R15 DK073066	23,696
Kidney Diseases, Urology, and Hematology Research	93.849	1 R15 DK61952	1,050
			24,746
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5 R01 NS032374	309,698
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	R01 NS022979	256,908
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	5 K01 NS046582-02	119,664
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1 R15 NS048916	87,998
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	R15 NS051848	15,760
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1 R21 NS050260-01	159,764
			949,792
Microbiology and Infectious Diseases Research	93.856	2 R15 AI47165	98,133
Biomedical Research and Research Training	93.859	5 R01 GM048858	117,981
Biomedical Research and Research Training	93.859	R01 GM061048	189,222
Biomedical Research and Research Training	93.859	F31 GM077096	6,668
Biomedical Research and Research Training	93.859	5 R01 GM050690	167,125
			480,996

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Child Health and Human Development Extramural Research	93.865	5 R01 HD045512	$ 341,810
Aging Research	93.866	1 R15 AG020536	6,732
Medical Library Assistance	93.879	5 G13 LM007670	2,787
Medical Library Assistance	93.879	5 G13 LM007670	65,199
			67,986
Subtotal Direct Programs			4,365,631
Pass-Through Programs from:			
9C Rural Consortium Board	93.XXX		1,550
Baylor College of Medicine	93.173	5 R01 DC002290	37,616
Interthyr Corporation	93.855	1 R41 AI06618-01	29,991
Promilliad Biopharma	93.856	1 R41 AI060249-01A2	22,647
Southern Illinois University	93.866	R01 AG19899	67,634
University of Cincinnati	93.853	R01 NS035313	12,017
University of Illinois at Chicago	93.396	1 R01-CA099904	10,249
University of Kentucky Research Foundation	93.239	5ASPE 417-03	10,835
University of Michigan	93.837	HL060900	(5,491)
University of North Carolina At Charlotte	93.838	5R01HL068706	5,046
Subtotal Pass-Through Programs			192,094
Total Department of Health and Human Services			4,557,725
Department of Justice—			
Direct Programs—			
Criminal Justice Research and Development—			
Graduate Research Fellowships	16.562	2003-IJ-CX-1027	130,366
Total Department of Justice			130,366
Department of the Interior:			
Pass-Through Programs from:			
Maryland Sea Grant College	15.XXX	NA16RG2207	2,030
Midwest Biodiversity Institute	15.XXX		87,377
Ohio Department of Natural Resources	15.XXX		9
Ohio Department of Natural Resources	15.XXX	NGSCW-04-44	374
Ohio Department of Natural Resources	15.634		750
Ohio State University Research Foundation	15.805	01HQGR0110	19,047
Subtotal Pass-Through Programs			109,587
Total Department of the Interior			109,587

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
DEPARTMENT OF STATE:			
Pass-Through Programs from:			
Council for International Exchange Of Scholars	19.XXX		$ 32,772
Total Department of State			32,772
Department of Transportation:			
Direct Programs:			
U.S. Department of Transportation			
Develop Nationwide Differential Global Positioning System	20.XXX	DTRS57-04-C-10026	16,001
Architecture Enhancement Volpe	20.XXX	DTRT57-05-C-10123	94,855
GPS Antenna Analysis	20.XXX	DTRS57-04-P-80285	1
WAAS Impact Maritime	20.XXX	DTRT57-05-P-80171	70,428
			181,285
Federal Aviation Administration:			
IIs Vor Model Trng Renton Wa	20.XXX	DTFANM-05-P-00586	17,668
Integrated Avionics Tech Dev	20.XXX	95-G-014	126,006
Local Area Augmentation System	20.XXX	98-G-002	1,393,258
Navigation Landing Analytical Model	20.XXX	DTFA01-01-C-00012	276,144
DTFA01-01-C-00071	20.XXX	DTFA01-01-C-00071	2,533,303
Tech Support Serv Nav N Land	20.XXX	DTFAAC-03-D-00394,	(7,035)
WAAS/BARO Tech Advance Aviation	20.XXX	DTAFAAC-03-A-15689	35,731
Wireless Testbed Airport App	20.XXX	06-G-005	2,094
			4,377,169
Subtotal Direct Programs			4,558,454
Pass-Through Programs from:			
Ohio Department of Transportation	20.XXX		1,800
Ohio Department of Transportation	20.XXX		1,800
Ohio Department of Transportation	20.205	9251	132,328
Ohio Department of Transportation	20.205	9800	34,931
Ohio Department of Transportation	20.205		11,524
Ohio Department of Transportation	20.205	9991	75,286
Ohio Department of Transportation	20.205	AC SPR-2(36)	130,198
Ohio Department of Transportation	20.205	10209	171,751
Ohio Department of Transportation	20.205	E051425	16,197
Ohio Department of Transportation	20.205		19,483
Ohio Department of Transportation	20.205	E051383	9,813
Ohio Department of Transportation	20.205	E040(371)	60,196
Ohio Department of Transportation	20.205	20119 A	185,418
Ohio Department of Transportation	20.205	AC1SPR-2(37)	20,019
Ohio Department of Transportation	20.205	E051427	20,688
Ohio Department of Transportation	20.205	AC SPR-2(37)	61,541
Ohio Department of Transportation	20.205	E060(117)	23,973
Ohio Department of Transportation	20.205	20337	(57)

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Ohio Department of Transportation	20.205	E040(952)	$ 711
Ohio Department of Transportation	20.205		38,066
Ohio Department of Transportation	20.205	E050(234)	132,328
Ohio Department of Transportation	20.205		56,883
			1,204,877
Leigh Fisher Associates	20.XXX		24,046
The National Academies	20.XXX	DOT-6120-399	75
University of Akron	20.205	11374	25,500
Miami Valley Regional Planning Commission	20.XXX		15,621
Subtotal Pass-Through Programs			1,270,119
Total Department of Transportation			5,828,573
Environmental Protection Agency:			
Direct Programs:			
Survey Studies Relating to the Clean Air Act	66.034	XA-96588501-0	188,263
Science To Achieve Results (STAR) Program	66.509	RD-83136501	324,323
Subtotal Direct Programs			512,586
Pass-Through Programs from:			
Center for Applied Bioassessment and Biocriteria	66.460		56,995
Hamilton County Environmental Services	66.XXX		15,621
Ohio Environmental Protection Agency	66.460	C997550003	17,173
Subtotal Pass-Through Programs			89,789
Total Environmental Protection Agency			602,375
National Aeronautics and Space Administration:			
Direct Programs:			
Ames Research Center			
Molecular Cloning and Characterization	43.XXX	NAG2-1608	68,639
Glenn Research Center			
Advanced CNS Acast	43.XXX	NNC04GB45G	142,060
Protecting Infrastructure	43.XXX	NNC04GB63G	2,501
			144,561
Goddard Space Flight Center			
Hard Xray Blazar 3C 279	43.XXX	NAG5-11025	101,085
Goddard Space Flight Center	43.XXX	NNG04GI50G	19,994
Goddard Space Flight Center	43.XXX	NNG05GP69G	20,471
Goddard Space Flight Center	43.XXX	NNG06GD57G	3,075
Multiwavelength Variability	43.XXX	NNG04GF70G	260
			144,885
Langley Research Center			
Synthetic Vision System	43.XXX	NNL04AA17A	61,083
Subtotal Direct Programs			419,168
Pass-Through Programs from:			
Applied Sciences, Inc.	43.XXX	NNA05CQ86C	16,888

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Jet Propulsion Laboratory	43.XXX	NMO710076	$ 2,856
Jet Propulsion Laboratory	43.XXX		21,827
			24,683
National Institute of Aerospace	43.XXX	NCC-1-02043	14,658
Ohio Aerospace Institute	43.XXX		25,162
Rannoch Corporation	43.XXX		27,477
Smithsonian Astrophysical Observatory	43.XXX	NAS8-03060	4,505
Smithsonian Astrophysical Observatory	43.XXX	NAS8-03060	28,368
Smithsonian Astrophysical Observatory	43.XXX	NAS8-03060	470
Smithsonian Astrophysical Observatory	43.XXX	NAS8-03060	41,000
			74,343
Space Telescope Science Institute	43.XXX	HST-GO-09783.03-A	1,794
Virginia Satslab, Inc.	43.XXX		(4,082)
Subtotal Pass-Through Programs			180,923
Total National Aeronautics and Space Administration			600,091
National Science Foundation:			
Direct Programs:			
Engineering Grants	47.041	CMS-0528302	45,384
Engineering Grants	47.041	CMS-0533290	25,988
			71,372
Mathematical and Physical Sciences	47.049	DMS-0533726	26,425
Mathematical and Physical Sciences	47.049	DMR-0094055	20,621
Mathematical and Physical Sciences	47.049	DMR-0103034	111,914
Mathematical and Physical Sciences	47.049	PHY-0244999	342,566
Mathematical and Physical Sciences	47.049	DMR-0336431	24,345
Mathematical and Physical Sciences	47.049	DMR-0304314	424,228
Mathematical and Physical Sciences	47.049	DMR-0310933	72,285
Mathematical and Physical Sciences	47.049	DMS-0506063	43,959
Mathematical and Physical Sciences	47.049	AST-0407152	58,396
			1,124,739

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Geosciences	47.050	OCE-0117132	$ 65,891
Geosciences	47.050	EAR-0207432	21,987
Geosciences	47.050	EAR-0228876	6,967
Geosciences	47.050	EAR-0308105	57,203
Geosciences	47.050	EAR-0350396	3,770
Geosciences	47.050	ATM-0508217	27,987
			183,805
Computer and Information Science and Engineering	47.070	CNS/EIA-0120056	23,357
			23,357
Biological Sciences	47.074	IBN-9983561	
Biological Sciences	47.074	IOB-0090250	84,848
Biological Sciences	47.074	IBN-0110413	63,745
Biological Sciences	47.074	IBN-0131077	64,780
Biological Sciences	47.074	IBN-0131523	48,401
Biological Sciences	47.074	DEB-0211054	(232)
Biological Sciences	47.074	DEB-0235676	39,693
Biological Sciences	47.074	IOB-0316687	121,546
Biological Sciences	47.074	IBN-0343744	59,431
Biological Sciences	47.074	IBN-0345500	61,354
Biological Sciences	47.074	IBN-0407735	1,417
Biological Sciences	47.074	DEB-0516031	21,926
Biological Sciences	47.074	IOB-0517257	25,274
Biological Sciences	47.074	IOB-0520855	49,526
Biological Sciences	47.074	IOB-0520100	47,809
			689,518
Social, Behavioral, and Economic Sciences	47.075	BCS-0507074	3,102
Social, Behavioral, and Economic Sciences	47.075	SES-0453302	81,519
Social, Behavioral, and Economic Sciences	47.075	BCS-0515890	81,796
			166,417
Education and Human Resources	47.076	EEC-0227907	75,266
Education and Human Resources	47.076	REC 0335593	36,043
Education and Human Resources	47.076	DGE-0337438	35,243
Education and Human Resources	47.076	DUE-0350395	26,186
Education and Human Resources	47.076	DGE-0538588	4,790
			177,528
Polar Programs	47.078	OPP-0135989	8,246
Polar Programs	47.078	ANT-0436190	35,640
Polar Programs	47.078	ANT-0439805	28,214
			72,100
Subtotal Direct Programs			2,508,836

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Pass-Through Programs from:			
Institute of Ecosystem Studies	47.074	DEB-9714835	$ 17,317
New Arts Bronze Syudios, Inc.	47.041		30,000
Stark State College of Technology	47.XXX		21,248
Temple University	47.041	BES-0511762	35,956
University of Connecticut	47.041	BES 0302351	11,269
University of Illinois Urbana	47.049	DMR-0205858	38,613
University of California Los Angeles	47.XXX		15,000
Ohio State Universit Research Foundation	47.049	CHE-05322560	15,619
Subtotal Pass-Through Programs			185,022
Total National Science Foundation			2,693,858
United States Agency for International Development—			
Pass-Through Programs from—			
Association Liaison office	98.XXX	HNE-A-00-97-00059-00	8,464
Total United States Agency for International Development			8,464
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			$ 19,614,381
HOMELAND SECURITY CLUSTER:			
Department of Homeland Security			
Pass-Through Programs From:			
Ohio Emergency Management Agency	97.036	FEMA-1580-DR-000UIZ6Y	$ 57,333
Science Applications International Corporation	97.035	HSHQPA-05-9-0029	14,619
TOTAL HOMELAND SECURITY CLUSTER			$ 71,952
OTHER PROGRAMS:			
Appalachian Regional Commission—			
Direct Programs:			
Appalachian Area Development	23.002	OH-15161-05	$ 73,337
Whisman Scholar	23.XXX	CO-12600E	49,902
WEB IT	23.XXX	CO-14871-04	2,709
			125,948
Subtotal Direct Programs			125,948
Pass-Through Programs from—			
Shawnee State University	23.XXX		276
Subtotal Pass-Through Programs			276
Total Appalachian Regional Commission			126,224
Corporation for National and Community Service—			
Pass-Through Programs from:			
Ohio Community Service Council	94.006	03AFH-K728-04-A120/ 03AFH-K728-05-A120	192,482
Ohio Community Service Council	94.006	03ACH-K729-06-A017	298,355
Ohio Community Service Council	94.006	03AFH-K728-05-A017	24,949
			515,786
Jumpstart National	94.006	03ACH-K729-04-A147#40-JS-SITE#40	33,018
Sojourner Care Network	94.006		2,377
Total Corporation for National and Community Service			551,181

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of Agriculture:			
Direct Programs:			
Forestry Research	10.652	03-CR011111125-044	$ 20,000
Distance Learning And Telemedicine Loans and Grants	10.855	0H10-704-B16	2,827
History Records African Railroad	10.XXX	04-PA-11091400-030	4,765
			27,592
Rural Utilities Service Community Connect Grant Program	10.861		429,947
Subtotal Direct Programs			457,539
Pass-Through Programs from:			
Ohio Department of Education	10.559		22,440
Rural Action Inc	10.XXX		1,741
Ohio State University Research Foundation	10.XXX	CA 370304	2,875
Subtotal Pass-Through Programs			27,056
Total Department of Agriculture			484,595
Department of Commerce			
Direct Programs:			
Economic Development Administration	11.300	05-79-03506	83,133
Public Telecommunications Facilities Planning and Construction	11.550	39-02-N05216	163,085
			163,085
Subtotal Direct Programs			246,218
Pass-Through Programs from—			
Bowling Green State University	11.303	06-66-04858/04616/04741/04955	40,941
Subtotal Pass-Through Programs			40,941
Total Department of Commerce			287,159
Department of Defense:			
Pass-Through Programs from—			
Norhteast Ohio Areawide Coordinating Agency	12.613		5,626
Ohio Department of Development	12.002	MBDD 03-013/04-017/05-010	40,019
Total Department of Defense			45,645

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Department of Education:			
Direct Programs:			
Trio Student Support Services	84.042	P042A010213	$ 28,405
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015A	P015A030005	268,326
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015B	P015B030005	246,986
			543,717
Undergrad International Studies	84.016A	P016A050049	40,027
Overseas Group Projects	84.021A	P021A050019	82,449
US Dept. of Education	84.042A	P042A050180	247,966
TRIO Upward Bound	84.047A	P047A030183	377,956
Trio McNair Post-Baccalaureate Achievement	84.217A	P217A030004	189,490
Child Care Access Means Parents in School	84.335	P335A010099	5,610
Subtotal Direct Programs			1,487,215
Pass-Through Programs from:			
Alexander Local School District	84.287C		296,252
Appalachian Regional Commission	84.923A	V923A030001	5,654
Athens City School District	84.257C	043521-T151-03	329,364
Athens Meigs Educational Service Center	84.XXX		19,077
Cleveland State University	84.357	S357A020036	361
Columbus State Community College	84.243	VETP 2003-01-FB/VETP-2005-1-FB	106,075
Community Action Commission of Belmont County	84.314		5,632
Corporation for Public Broadcasting	84.XXX		11,190
Coshocton City School	84.213		6,455
East Central Ohio Special Education Regional Resources	84.XXX		23,932
Federal Hocking Local School District	84.287C	045914-T1S1-03	247,054
North Central Ohio Special Educational Regional	84.XXX		352
Ohio Board of Regents	84.116		2,782
Ohio Board of Regents	84.334A	P334A990378	209,203
Ohio Board of Regents	84.334	P334S050016	43,911
Ohio Board of Regents	84.367	31-May	6,828
Ohio Board of Regents	84.203G	U203G050022	17,800
Ohio College Access Network	84.XXX		18,338
Ohio College Access Network	84.XXX		8,607
Ohio College Access Network	84.XXX		23,438

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Ohio Department of Education	84.002	063024-AB-SL-2003/2004/2005	$ 362,326
Ohio Department of Education	84.173		5,177
Ohio Department of Education	84.173		8,354
Ohio Department of Education	84.366	CI667-OSCI-06-10	12,659
Ohio Department of Education	84.367	063024-TRSP-200	10,000
Ohio Department of Education	84.367		19,371
Perry Hocking Educational Service Center	84.XXX		11,293
Public Broadcasting Service	84.295A	R295A000002	10,556
Southwest Ohio Special Education Regional Resources	84.XXX		28,365
Subtotal Pass-Through Programs			1,850,406
Total Department of Education			3,337,621
Department of Health and Human Services—			
Direct Programs—			
Diabetes Ed for Appalachians	93.XXX	05IPA43708	32,345
Health Resources and Services Administration:			
Quentin N. Burdick Program	93.192	D36HP03160	190,093
Rural Health Care Services Outreach & Development	93.912	P10RH06775	10,240
			200,333
US Department of Health and Human Services:			
Centers of Excellence	93.157	D34HP04027	479,365
Health Careers Opportunity Program	93.822	D18HP02889	487,248
Grants for training in Primary Care Medicine And Dentistry	93.884	D56HP05223	167,132
Specially Selected Health Projects	93.888	4 D1ARH00109	78,126
			1,211,871
National Institute of Health—			
Medical Library Assistance	93.879	G08LM008133	170,053
Subtotal Direct Programs			1,614,602
Pass-Through Programs from:			
Appalachian Family and Children First Council	93.570		13,496
Association of Environmental Health Academic Programs	93.XXX		278
Athens County Family and Children First Council	93.XXX		13,623
Athens County Job and Family Services	93.XXX		12,537
Athens County Job and Family Services	93.XXX		254,288
Case Western Reserve University	93.969	D31 HP-70113	43,444
Columbiana County Department of Job and Family Services	93.XXX		2,908
Gallia County Health Department	93.XXX		
Medical University of Ohio	93.107	5 U77HP03029-11-00	95,438
Meigs County Department of Jobs and Family Service	93.XXX		2
Meigs County Department of Jobs and Family Service	93.XXX		1,000
National Youth Sports Program	93.570		56,000
National Youth Sports Program	93.570		(3,280)
Ohio Childcare Resource and Referral Association	93.XXX		62,029
Ohio Department of Education	93.558		31,061
Ohio Department of Education	93.558		50,124
Ohio Department of Health	93.994	K584	62,393
Ohio Department of Health	93.XXX		39,076

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Ohio Department of Jobs and Family Services	93.XXX	06-167	$ 99,316
Ohio Department of Jobs and Family Services	93.XXX	05-001	(2,416)
Ohio Educational Television Stations	93.XXX		17,050
Ohio State University Research Foundation	93.966	T01HP01416-01-00/02-01	10,264
Southern Consortium for Children	93.211	1 H2ATH00985-01-00	55,448
Tri County Mental Health and Counseling Services	93.XXX		5,800
University of Illinois at Chicago	93.879	N01 LM 1 3513	19,924
Vinton County Department of Job and Family Service	93.XXX		5
Vinton County Department of Job and Family Service	93.558		5,503
Subtotal Pass-Through Programs			945,311
Total Department of Health and Human Services			2,559,913
Department of Housing and Urban Development—			
Pass-Through Programs from—			
Huntington Ironton Empowerment Zone	14.244		159,927
Total Department of Housing and Urban Development			159,927
Department of Justice—			
Pass-Through Programs from:			
Hocking County Juvenile Court	16.XXX		4,984
Washington County Mental Health and Addiction Board	16.XXX		5,745
Total Department of Justice			10,729
Department of Labor—			
Pass-Through Programs from:			
Athens County Department of Job and Family Services	17.XXX		1,088
Lawrence County Department of Jobs and Family Serv	17.XXX		65,537
Lawrence County Department of Jobs and Family Serv	17.XXX		119,351
			184,888
Total Department of Labor			185,976
Department of State—			
Direct Programs:			
Educational Partnerships Program	19.424	S-ECAAS-04-GR-209(MA)	81,209
CELTT	19.XXX	S-ECAPE-03-GR-155(JL)	10,000
Inter-religious Dialogue	19.XXX	S-ECAPE-03-GR-188(MA)	36,913
Subtotal Direct Programs			128,122
Pass-Through Programs from—			
Institute for International Education	19.402	S-ECAAE-04-CA-019(PS)	176,128
Subtotal Pass-Through Programs			176,128
Total Department of State			304,250
Department of Transportation:			
Direct Programs:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-39-0006-0802	180,181
Airport Improvement Program—Phase II	20.106	3-39-0006-0904	27,981
Subtotal Direct Programs			208,162

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Pass-Through Programs from:			
City of Athens	20.509	RPT-4005-023-043	$ 27,040
West Virginia University	20.205		(330)
Ohio Department of Transportation	20.205	AC SPR-2(37)	264
Subtotal Pass-Through Programs			26,974
Total Department of Transportation			235,136
DEPATMENT OF THE TREASURER			
Pass-Through Programs From:			
Oak Hill Banks Community Development Corp.	21.XXX		2,500
Total Department of Treasurer			2,500
Environmental Protection Agency—			
Pass-Through Programs from:			
Clement Soil And Water Conservation District	66.XXX		12,588
Midwest Biodiversity Institute	66.606		99,335
Ohio Department of Natural Resources	66.460		23,200
Ohio Environmental Protection Agency	66.460	C9975500004-0	504,639
			639,762
Rural Action, Inc.	66.XXX		3,401
Rural Action, Inc.	66.XXX		4,908
			8,309
Total Environmental Protection Agency			648,071
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION			
Direct Programs—			
National Historical Publications and Records Grants	89.003	2003-007	4,871
Total National Archives and Records Administration			4,871
NATIONAL ENDOWMENT FOR THE HUMANITITES			
Direct Programs—			
Promotion of the Arts Grants to Organizations and Individuals	45.024	60-3400-7010	9,744
Subtotal Direct Programs			9,744
Pass-Through Programs from—			
Ohio Humanities Council	45.XXX		9,588
Subtotal Pass-Through Programs			9,588
Total National Endowment for the Humanities			19,332
National Science Foundation:			
Direct Programs—			
Education and Human Resources	47.076	DUE-0510198	3,849
International Science and Engineering	47.079	OISE-0536881	20,627
Subtotal Direct Programs			24,476

(Continued)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/ Pass-Through Grant Number	Expenditures
Pass-Through Programs from:			
Kentucky Science and Technology	47.076	ESR-0086188	$ 2,183
Ohio State University Research Foundation	47.076	HRD-0331560	23,891
University of Tennessee	47.076	ESI-0119679	199,403
Subtotal Pass-Through Programs			225,477
Total National Science Foundation			249,953
Small Business Administration—			
Pass-Through Programs from:			
Ohio Department of Development	59.037	ECDD 04-101/05-169	142,560
Kent State University	59.037	ECDD 01-100/ECDD 05-168	19,482
Adena Ventures	59.051		831
Adena Ventures	59.051		140,567
Total Small Business Administration			303,440
United States Institute of Peace—			
Direct Programs—			
Solicited Grant Program	91.002	IOP-05-733	20,850
Total United States Institute of Peace			20,850
United States Peace Corp—			
Direct Programs—			
Peace Corps Strategy Agreement	08.XXX		12,270
Total United States Peace Corp			12,270
TOTAL OTHER PROGRAMS			$ 9,549,643
GRAND TOTAL—Federal awards			$148,339,918

(Concluded)

OHIO UNIVERSITY
(A Component Unit of the State of Ohio)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is presented using the accrual basis of accounting in which expenditures are recognized when incurred.

Subrecipient—Of the federal expenditures presented in the Schedule, the Ohio University (the "University") provided federal awards to subrecipients as follows:

CFDA No.	Program Title	Expended
10.200	Grants for Agricultural Research, Special Research Grants	$ 3,503
47.049	Mathematical and Physical Sciences	39,783
47.074	Biological Sciences	77,952
47.075	Social, Behavioral, and Economic Sciences	10,689
47.076	Education and Human Resources	10,000
59.037	Small Business Development Center	50,500
66.460	Nonpoint Source Implementation Grants	496,046
66.509	Science To Achieve Results (STAR) Program	60,491
81.087	Renewable Energy Research And Development	125,000
93.173	Research Related to Deafness and Communication Disorders	221,009
93.192	Quentin N. Burdick Program for Rural Interdisciplinary Training	10,000
93.242	Mental Health Research Grants	310,399
93.273	Alcohol Research Programs	39,702
93.279	Drug Abuse Research Programs	35,030
93.389	National Center For Research Resources	48,781
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	24,273
93.865	Child Health and Human Development Extramural Research	32,068
12.XXX	Unitized Airframe Components	9,078
20.XXX	Local Area Augmentation System	42,851
20.XXX	DTFA01-01-C-00071	100,000
20.XXX	Architecture Enhancement Volpe	25,333
81.XXX	Evaluation of Fine Particulate Matter	102,897
81.XXX	Planar Solid Oxide Fuel Cells	31,634
81.XXX	Proposal To Develop A Database	6,062
84.XXX	Audience Service Challenge Gnt	67,000
		$1,980,081

2. NONCASH FEDERAL AWARDS

During the year ended June 30, 2006, the University did not receive any nonmonetary assistance.

3. FEDERAL LOAN PROGRAMS ADMINISTERED

The University outstanding balances at June 30, 2006, are as follows:

Perkins Loan Program	$ 7,798,602
Disadvantaged Students Loan	1,850,746
Health Professional Student Loans (“HPSL”)	2,708,607
Total	$ 12,357,955

* * * * * *

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA
Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

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*

To the Board of Trustees of
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University (the "University"), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 18, 2006. 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 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 reportable 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 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

We noted certain matters that we have reported to management of the University in a separate letter dated October 18, 2006.

This report is intended solely for the information and use of the Board of Trustees, management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the 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 18, 2006

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
Ohio University
Athens, Ohio

Compliance

We have audited the compliance of Ohio 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 each of its major federal programs for the year ended June 30, 2006. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 of compliance in accordance with auditing standards generally accepted in the United States of America; 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 each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-1.

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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weakness. A material weakness is a reportable 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 applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the University as of and for the year ended June 30, 2006, and have issued our report thereon dated October 18, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management of the University, federal awarding agencies, state funding agencies, pass-through entities, 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 18, 2006

1. PART I—SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.

2. Our audit of the financial statements did not disclose a reportable condition in internal controls.

3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.

4. No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.

6. The audit disclosed findings which are required to be reported by OMB Circular A-133.

7. The major programs were the Student Financial Aid Cluster and the Research and Development Cluster, which are included in the schedule of expenditures of federal awards.

8. A threshold of $1,449,570 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. The Auditee did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

2. PART II—FINANCIAL STATEMENT FINDINGS SECTION

No matters to be reported.

3. PART III—FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

06-1: Failure to Notify NSLDS When Student Withdraws

Grantor—Various

Sponsor Identification Number—Student Financial Aid Cluster

Criteria—The OMB Circular A-133 *Compliance Supplement* states: "Unless the school expects to complete its next Roster file within 60 days, the school must notify NSLDS within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis."

Finding—Ten students in fiscal year 2006 and eight students in fiscal year 2005 out of 25 selected each year, who withdrew from the University did not have their withdrawal reported to NSLDS.

Effect—If a student withdraws and it is not reported to the NSLDS in a timely basis it could affect timing of the grace period granted to the student.

Questioned Costs—None

Recommendation—The University should ensure that the Clearinghouse is notified of changes in the student's status within the required timeframe.

Corrective Action Plan—Contact Person: Debra M. Benton

The problem identified with the program that reports the students to the Clearinghouse has been corrected and the program has been thoroughly tested. A review is also made of the withdraw list and compared with the enrollment status reported to the Clearinghouse to verify the accuracy of the report.

4. PART IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Number	Finding	Status	Contact
05–1	In 9 of 21 selections the unbilled grants accounts receivable project balances contained errors. These errors were primarily the result of three issues that arose during the year: 1. Grants and contract accounting originally recognized revenue on a cash basis under the old reporting standards and in the old accounting system (“CUFS”). After converting to Oracle, and operating still on a cash basis, it was decided that the University should defer revenue on an systematic basis. This process change occurred spring 2004. As a result of this change there were amounts that were inappropriately included within the June 30, 2005, unbilled accounts receivable balance. 2. It was discovered after closing June 2005, that revenue was recognized on most payments with a PA Expenditure Item date before July 1, but incurred and paid after June 30. When an inquiry was made of Oracle of this process, Oracle confirmed that they use full accrual based on obligation date. Therefore, any purchase order, travel, or DP payments that originated before July 1 were recognized in June. While this was discovered during the close process, certain amounts were not appropriately reversed and recorded in the correct fiscal year. 3. It was discovered that manual events (events maintenance for a single project) were created on some Letter of Credit (“LOC”) accounts, using the process from conversion of CUFS to Oracle. As a result, in certain cases, the unbilled accounts receivable and revenue were being recognized twice in both a systematic entry and in a manual entry. 4. The combination of the items in 2 and 3 approximated $3,134,054. In addition, to the specific items listed above, there was a lack of general review procedures surrounding accounts receivable. There is no review or sign off required on “manual events” within the Oracle system. As such, amounts were being inappropriately posted. In addition, there were no cut-off or reconciliation procedures in place at year-end to ensure account balances were appropriate.	Corrected	Linda Shapiro
05–2	Eight students out of 25 selected who withdrew from the University did not have their withdrawal reported to NSLDS.	This finding was not corrected and will be repeated in the current year as 06-1	Debra M. Benton

Ohio University

Independent Accountants' Report on Applying Agreed-Upon Procedures Performed on the Intercollegiate Athletic Department as Required by NCAA Bylaw 6.2.3.1 for the Year Ended June 30, 2006

This Page is Intentionally Left Blank.

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES PERFORMED ON THE INTERCOLLEGIATE ATHLETIC DEPARTMENT AS REQUIRED BY NCAA BYLAW 6.2.3.1

Dr. Roderick J. McDavis, President
Ohio University:

We have performed the procedures enumerated below, which were agreed to by the administration of Ohio University (the "University"), solely to assist you in evaluating whether the accompanying statement of revenues and expenditures ("statement") is in compliance with the National Collegiate Athletic Association's (the "NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2006. Ohio University's management is responsible for the statement and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in 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.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenditures

The procedures that we performed are as follows:

We obtained the statement, as prepared by the administration of the University, which is included as Exhibit A. We agreed the statement to the University's general ledger. For all revenue and expense categories, we performed the following:

- We compared and agreed, each operating revenue and expense category reported in the statement during the reporting period to supporting schedules provided by the administration of the University.

- We compared and agreed a random sample of 25 operating revenue receipts and expenses obtained from the operating revenues and expenses supporting schedules to supporting documentation provided by the administration of the University.

- We compared each major revenue and expense account to prior period amounts and budget estimates provided by the administration of the University. We obtained and documented an understanding of any variations that were greater than 20% and $100,000.

Operating Revenues

- *Ticket Sales*—We compared ticket information for 25 games from the football, men's basketball, women's basketball, and baseball schedules, sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenues reported by the University in the statement and the related attendance figures. We recalculated totals.

- *Away Games Sales and Guarantees*—We selected a random sample of five settlement reports for away games during the reporting period and agreed each revenue amount to the related posting in the University's general ledger and the statement. We selected a random sample of five contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each revenue amount to the related posting in the University's general ledger and the statement. We recalculated totals.

- *Contributions*—We obtained and reviewed supporting documentation for contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals not included above (e.g., contributions by corporate sponsors) that constituted 10% or more of all contributions received for intercollegiate athletics during the reporting periods. There were no contributions made that were greater than 10% of all contributions.

- *Third-Party Supports*—We obtained a summary of cash balances for affiliated and outside organizations and agreed each balance to a confirmation received from the third-party supporting organization.

- *Institutional Support*— We compared direct institutional support recorded by the University with state appropriations, institutional authorizations, and/or other supporting documents.

- *Indirect Institutional Support*—We compared the indirect institutional support recorded by the University during the reporting period with institutional authorizations and/or other corroborative supporting documentation. We recalculated totals to within $240.

- *NCAA/Conference Distributions Including All Tournaments*—We obtained and inspected agreements related to the University's NCAA and conference distributions received during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University's general ledger and the statement. We recalculated totals to within $735.

- *Broadcast, Television, Radio, and Internet Rights*—We selected a random sample of six items reported in the statement and agreed each selection to the University's general ledger and supporting documentation. We compared and agreed the related revenues to the University's general ledger. We recalculated totals.

- *Program Sales, Concessions, Novelty Sales, and Parking*—We selected a random sample of ten concession and parking revenues reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed related revenues to the University's general ledger. We recalculated totals.

- *Royalties, Advertisements, and Sponsorships*—We obtained and inspected four agreements related to the University's revenues from royalties, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University's general ledger and/or the statement. We recalculated totals.

- *Sports-Camp Revenues*—We inspected sports-camp contracts between the University and persons conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the University's methodology for recording revenues from sports-camps. We obtained schedules of camp participants. We selected a random sample of 25 individual camp participant cash receipts from the schedule of sports-camp participants and agreed each selection to the University's general ledger, and/or the statement.

- *Endowment and Investment Income*—We obtained and inspected fifteen endowment agreements to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement. We recalculated totals to within $54.

Operating Expenses

Athletic Student Aid—We selected a random sample of 25 students from the listing of institutional student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to amounts recorded in the student's account.

Guarantees—We obtained and inspected five contractual agreements pertaining to expenses recorded by the University from guaranteed contests during the reporting period. We compared and agreed related amounts expensed to the University's general ledger and the statement. We recalculated totals.

Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities—We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period. We selected a random sample of 15 coaches' contracts that included football and men's and women's basketball from this listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and read W-2's or 1099's for each selection. We compared and agreed related amounts in the W-2's or 1099's to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period for each selection. We recalculated totals.

Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities—We selected a random sample of 15 support staff/administrative personnel employed by the University and related entities during the reporting period. We obtained and read W-2's or 1099's for each selection. We compared and agreed related amounts in the W-2's or 1099's to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period. We recalculated totals.

Recruiting and Team Travel—We obtained and documented an understanding of the University's recruiting and team travel expense policies. We compared and agreed to the existing institutional and NCAA-related policies.

Equipment, Uniforms, and Supplies—We obtained supporting schedules for equipment, uniforms, and supplies expense and agreed amounts in schedule to the statement. We selected a random sample of ten expenditures from the supporting schedules and compared to supporting documentation. We recalculated totals.

Game Expense—We obtained schedules for game expenses and agreed amounts in the schedules to the statement. We selected a random sample of ten expenditures from the supporting schedules and compared to supporting documentation. We recalculated totals.

Fund Raising, Marketing, and Promotion—We obtained supporting schedules for fundraising, marketing, and promotion expense, and agreed amounts in schedule to the statement. We selected a random sample of ten expenditures from the supporting schedules and compared to supporting documentation. We recalculated totals.

Sport Camp Expense—We obtained supporting schedules for sports camp expenses and agreed amounts in the schedules to the statement. We selected a random sample of ten expenditures from the supporting schedules and compared to supporting documentation. We recalculated totals.

Direct Facilities, Maintenance, and Rental—We obtained supporting schedules for direct facilities, maintenance, and rental expenses and agreed amounts in schedule to the statement. We selected a random sample of five expenditures from the supporting schedules and compared to supporting documentation. We recalculated totals.

Indirect Facilities and Administrative Support—We obtained the University's methodology for allocating indirect facilities support. We summed the indirect facilities support and indirect institutional support totals reported in the statement. We compared the Indirect Facilities and Administrative Support total reported in the statement to the corresponding revenue category reported in the statement.

Capitalized Assets

- We obtained a schedule of total intercollegiate athletics capitalized assets, additions, and improvements of facilities, and agreed to the University's general ledger.
- We obtained an understanding of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets.
- There were no individual capitalized additions that constituted more than 10% of the total for the reporting period.

Booster Organizations

- We obtained from the management of Ohio University a list of outside organizations and its related financial activities for the year ended June 30, 2006, as it relates to the Intercollegiate Athletics Programs of the University. We agreed total revenues and expenses, or total cash receipts and disbursements, of all booster organizations for the year ended June 30, 2006, with amounts obtained from the official responsible for each respective booster organization.

Agreed-Upon Procedures Related to the Internal Control Over Compliance

We have performed the procedures below, which were agreed to by the University, solely to assist in evaluating management's assertion about the effectiveness of the University's internal control over compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the 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.

Because of inherent limitations in any internal control structure, errors, or irregularities may occur and not be detected. Also, projections by the specified users of their evaluation of the internal control structure over financial reporting to future periods are subject to risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our procedures and results are as follows:

- Certain inquiries were made of the Controller's Office and Intercollegiate Athletic Department personnel relating to the procedures and internal accounting controls unique to the Intercollegiate Athletic Department, specifically, departmental organization, control consciousness of staff, use of internal auditors in the department, competency of personnel, adequate safeguarding and control of records and assets, and controls over interaction with the information technology department.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion, on the financial statements of the Intercollegiate Athletic Department of the University. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you. Nor, were we engaged to perform an examination, the objective of which would be the expression of an opinion on management's assertion about the effectiveness of the internal control structure over financial reporting. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of members of the audit committee, board of regents, administration of the University, or an authorized representative of the NCAA, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

December 29, 2006

OHIO UNIVERSITY INTERCOLLEGIATE ATHLETIC DEPARTMENT

EXHIBIT A

STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006 (UNAUDITED)

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
OPERATING REVENUES:						
Ticket sales (gate receipts)	$ 529,356	$ 320,474	$ 4,923	$ 7,454	$ -	$ 862,207
Guarantees	400,000	62,000	9,000	11,500		482,500
NCAA & Tourney		138,753			903,439	1,042,192
Programs, concessions, novelties, and parking	51,228	39,675	1,228	738	82,031	174,900
Royalties, sponsorships, and advertising					165,491	165,491
Sports camp revenue	13,940	134,146	891	78,417		227,394
Contributions					787,137	787,137
Direct Institutional Support	2,352,892	825,604	531,498	2,446,686	5,633,646	11,790,326
Indirect Facilities and Administrative Support	7,444	1,949	3,876	10,399	210,200	233,868
Broadcase television, ratio, internet rights					168,188	168,188
Endowment and investment income					258,801	258,801
Other miscellaneous					229,482	229,482
Total operating revenues	3,354,860	1,522,601	551,416	2,555,194	8,438,415	16,422,486
OPERATING EXPENDITURES:						
Financial aid	1,535,314	250,877	264,572	2,278,034	1,318,566	5,647,363
Guarantees					166,000	166,000
Coaching salaries	1,270,938	504,106	357,012	1,400,695		3,532,751
Support staff/administrative salaries					3,020,258	3,020,258
Recruiting	154,597	56,541	35,017	80,439		326,594
Team travel	462,604	144,844	47,907	525,171	73,160	1,253,686
Equipment, uniforms, and supplies	186,892	27,656	19,689	201,409	489,452	925,098
Game expenses	29,553	43,950	26,550	37,150	4,065	141,268
Fundraising, marketing, and promotion	8,181	595	3,327	8,672	313,466	334,241
Direct facilities, maintenance, and rental	39,352	7,439	3,584	44,129	133,412	227,916
Indirect facilities and administrative support	7,444	1,949	3,876	10,399	210,200	233,868
Medical expenses and insurance	12,146	1,346	1,617	2,256	295,008	312,373
Memberships and dues	1,100	195	655	19,230	161,569	182,749
Other expenses	75,497	19,204	15,089	48,259	241,829	399,878
Total operating expenditures	3,783,618	1,058,702	778,895	4,655,843	6,426,985	16,704,043
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ (428,758)	$ 463,899	$(227,479)	$(2,100,649)	$ 2,011,430	$ (281,557)

See notes to statement of revenues and expenditures.

Note: This schedule was prepared by a representative of the Department of Athletics.

OHIO UNIVERSITY INTERCOLLEGIATE ATHLETIC DEPARTMENT

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF PRESENTATION POLICIES

The amounts in the accompanying statement of revenues and expenditures were obtained from Ohio University's (the "University") trial balance, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed. All remaining revenues and expenditures are non-program specific. The University records depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenditures.

2. OTHER SPORTS

Other sports include cheerleading, men's baseball, men's and women's track, men's and women's golf, men's and women's cross country, men's and women's swimming, men's wrestling, women's field hockey, women's lacrosse, women's softball, women's soccer, and women's volleyball.

3. GIFTS

Gift revenue included in the statement of revenues and expenditures represent gifts given to the Athletic Department that did not contain any donor-imposed restrictions, or gifts for which donor-imposed restrictions were met during the current fiscal year. Ohio University did not have any individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2006.

4. OTHER FORMS OF COMPENSATION

The value of volunteer assistant coaching services, according to NCAA financial audit guidelines, should be reported as contributions and as salary expenditures. The University estimates that the value of volunteer assistant coaching services is not material to the statement of revenues and expenditures and, therefore, is not reflected.

5. PROPERTY, PLANT, AND EQUIPMENT

Intercollegiate athletics-related assets are accounted for consistent with the University's policies for property, plant, and equipment. Property, plant, and equipment valued at $2,500 or more are recorded at cost at date of acquisition or, if acquired by gift, at estimated fair value at date of gift. Additions to plant assets are capitalized, while maintenance and minor renovations are charged to operations. Property, plant, and equipment assets are reflected net of accumulated depreciation calculated on a straight-line basis over the estimated useful lives ranging from 3 to 50 years.

	Balance June 30, 2005	Additions	Transfers In (Out)	Disposals	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in progress	200,827	1,091,858	(1,227,557)		65,128
Total capital assets not being depreciated	200,827	1,091,858	(1,227,557)	-	65,128
Capital assets being depreciated:					
Infrastructure	5,507,346				5,507,346
Buildings	24,272,614		1,227,557		25,500,171
Machinery and equipment	894,061	118,480		(51,124)	961,417
Total capital assets being depreciated	30,674,021	118,480	1,227,557	(51,124)	31,968,934
Total capital assets	30,874,848	1,210,338	-	(51,124)	32,034,062
Less accumulated depreciation:					
Infrastructure	1,059,421	307,280			1,366,701
Buildings	12,639,884	602,255			13,242,139
Machinery and equipment	424,545	89,232		(26,591)	487,186
Total accumulated depreciation	14,123,850	998,767	-	(26,591)	15,096,026
Total capital assets being depreciated—net	16,550,171	(880,287)	1,227,557	(24,533)	16,872,908
Capital assets—net	$16,750,998	$ 211,571	$ -	$(24,533)	$16,938,036

* * * * * *

Mary Taylor, CPA
Auditor of State

OHIO UNIVERSITY

ATHENS 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
FEBRUARY 22, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us