

Miami University

Financial Statements for the Years Ended June 30,
2008 and 2007, and Single Audit Reports for the
Year Ended June 30, 2008



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Miami University, Butler County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2007 through June 30, 2008. 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 Miami University is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 9, 2009

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MIAMI UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of the State of Ohio:

We have audited the accompanying statement of net assets of Miami University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit, as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and cash flows where applicable for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University, and its discretely presented component unit, as of June 30, 2008 and 2007, and their respective changes in net assets and their respective cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments for the University totalled \$94,612,547 and \$100,904,074 or 9 percent and 9 percent of total assets at June 30, 2008 and 2007, respectively. Such investments for the Foundation totalled \$98,360,386 and \$65,354,423 or 32 percent and 22 percent of total assets at June 30, 2008 and 2007, respectively. Where a publicly-listed price is not available, management uses alternative sources of information, including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2008, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



October 14, 2008

Management's Discussion and Analysis

June 30, 2008

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Miami University for the year ended June 30, 2008. This discussion should be read in conjunction with the accompanying financial statements and footnotes.

The university's annual report consists of this Management's Discussion and Analysis, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows, and the Notes to the Financial Statements. The financial statements of the university have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred. The financial activity of the Miami University Foundation, a component unit of the university, is included through a discrete presentation as part of the university's financial statements.

The financial statements, footnotes and this discussion have been prepared by and are the responsibility of university management.

Financial Highlights

Overall the university's financial position declined at June 30, 2008. Total assets declined slightly from \$1.088 to \$1.079 billion. Liabilities declined \$3.5 million and totaled \$324.3 million. Significant financial events during fiscal year 2008 were:

- Recognizing the importance higher education plays in revitalizing and growing Ohio's economy, state legislators increased the state investment in instruction by 8 percent. As a result of this increase in state support, Miami held tuition constant for all Ohio students.
- Operational investments recorded a loss of 2.7 percent as compared to earning over 10 percent last fiscal year. This year's investment losses are cyclical in nature as is evidenced by the previous five consecutive years of positive returns. (For more details, see the Investment Report included in this report).
- The fall 2007 first-year class enrollment of 3,465 on the Oxford campus was 181 fewer students than the previous fall enrollment. The first-year class enrollment on the Hamilton campus experienced an increase of 78 students while the Middletown campus decreased by 28 students.

Statement of Net Assets

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

Net assets are classified into three major categories. The first category, invested in capital assets net of related debt, reports the institution's net equity in property, plant and equipment. The second major category, restricted net assets, reports net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. This category is subdivided into two types: nonexpendable and expendable. Nonexpendable restricted net assets are primarily endowment funds that may be invested for income and capital gains but the endowed principal may not be spent. Expendable restricted net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. The third category, unrestricted net assets, is separated into two types: allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are set aside for a specific purpose by university policy, management or the governing board. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

	2008	2007	2006
Assets			
Current assets	\$ 255,126,735	\$ 306,501,279	\$ 225,231,749
Capital assets, net	663,178,774	603,807,719	567,226,107
Long term Investments	154,456,387	172,155,937	134,548,244
Other assets	6,682,551	5,995,685	5,994,643
Total assets	\$ 1,079,444,447	\$ 1,088,460,620	\$ 933,000,743
Liabilities			
Current liabilities	\$ 73,348,006	\$ 70,326,531	\$ 68,887,696
Noncurrent Liabilities	250,911,916	257,404,648	177,475,384
Total liabilities	\$ 324,259,922	\$ 327,731,179	\$ 246,363,080
Net assets			
Invested in capital assets, net of related debt	\$ 454,613,643	\$ 427,469,404	\$ 409,065,088
Restricted net assets – nonexpendable	84,428,812	88,015,596	74,225,818
Restricted net assets – expendable	54,821,384	40,433,301	36,091,764
Unrestricted net assets – allocated	154,818,276	198,898,760	160,942,047
Unrestricted net assets - unallocated	6,502,410	5,912,380	6,312,946
Total net assets	\$ 755,184,525	\$ 760,729,441	\$ 686,637,663
Total liabilities and net assets	\$ 1,079,444,447	\$ 1,088,460,620	\$ 933,000,743

Fiscal Year 2008

Total assets of the institution decreased less than 1 percent or \$9.0 million in fiscal year 2008. The decrease in current and non-current assets was primarily a result of the decrease in investments. The \$76.5 million or 37.2 percent decrease in current investments and the \$17.7 million or 10.3 percent decrease in non-current investments was a result of several factors; (1) expenditures of \$28.7 million from the Series 2007 bond proceeds as well as local funds expended for capital projects (2) an increase of \$6.8 million in short-term funds classified as cash equivalents, and (3) the global downturn in the investment market. For more detailed information see the Investment Report included in this report. The \$18.8 million increase in current accounts receivable is primarily attributable to sales of investments for which proceeds have not yet been received as of June 30, 2008. The \$59.3 million increase in net capital assets, which is a result of the renovation, rehabilitation or purchase of new capital assets and accumulated depreciation, is highlighted in the Capital Assets and Debt Administration section of this report.

Total liabilities of the institution decreased by slightly more than 1 percent or \$3.5 million, which was primarily a result of the repayment of outstanding bonds, notes, and leases payable. Current liabilities and other long-term liabilities remained relatively unchanged. Overall, net assets decreased by \$5.5 million.

Fiscal Year 2007

Total assets increased 16.7 percent or \$155.5 million while total liabilities increased 33.0 percent or \$81.4 million. The increase in assets was primarily the result of an increase in investments from a strong investment market and a solid investment strategy and an increase in net capital assets from the capitalization of construction projects. The \$83.2 million issuance of the Series 2007 general receipts revenue bonds also increased investments and was the primary reason for the increase in liabilities. Overall, net assets increased \$74.1 million.

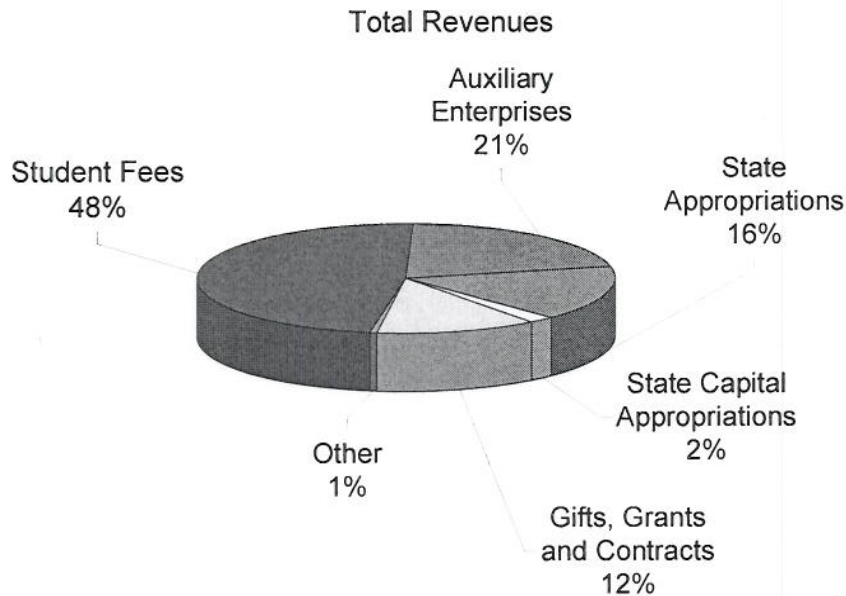
Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the university's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or non-operating. Operating revenues are generated by providing goods and services to customers and constituencies of the institution. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the university. Non-operating revenues include the student instructional subsidy from the state of Ohio, while other revenues include the state's capital appropriation. Interest on debt is the primary component of non-operating expense.

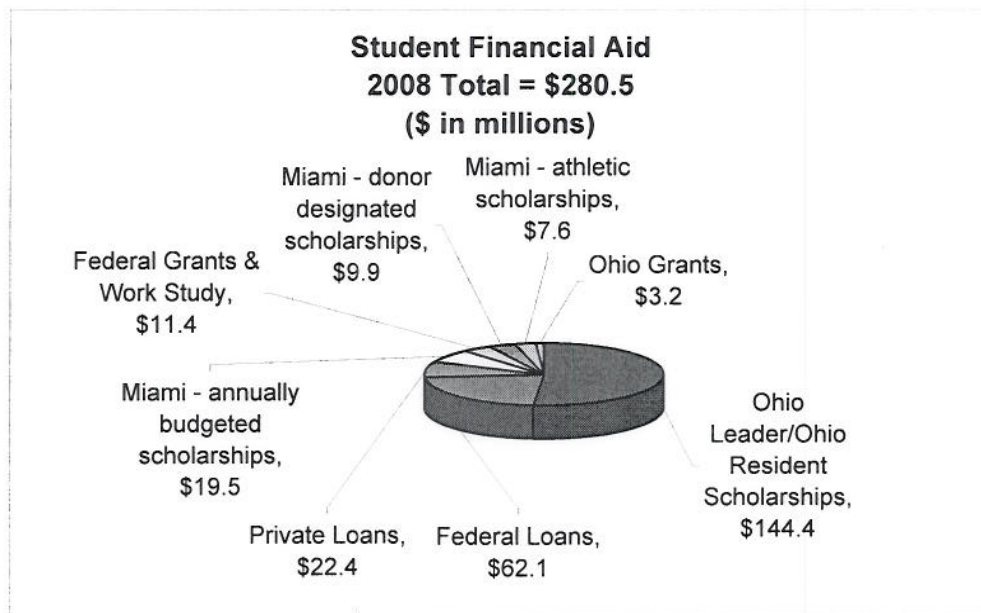
In fiscal year 2008, total revenues of the institution from all sources were approximately \$500 million, which represents a \$55.4 million or 10 percent decrease. Approximately 75 percent of revenues were classified as operating and 22 percent were classified as non-operating revenues.

	2008	2007	2006
Operating revenues	\$ 374,996,233	\$ 359,897,701	\$ 333,666,944
Non-operating revenues	108,526,406	158,626,884	140,119,742
Other revenues	16,589,089	36,961,439	24,839,121
Total revenues	\$ 500,111,728	\$ 555,486,024	\$ 498,625,807
Operating expenses	(496,729,213)	(473,866,696)	(446,712,141)
Non-operating expenses	(8,927,431)	(7,527,550)	(4,778,364)
Total expenses	(505,656,644)	(481,394,246)	(451,490,505)
Increase/(decrease) in net assets	\$ (5,544,916)	\$ 74,091,778	\$ 47,135,302

The university has a diversified revenue base, as shown in the accompanying chart. Student tuition and fees constitute 48 percent of revenues, while an additional 21 percent comes from auxiliary enterprises such as residence and dining halls, several student recreational facilities, and the bookstore. The state appropriations increased 3 percentage points from the previous year and accounts for 16 percent of the total, partially attributable to the 8 percent increase in the state support in instruction provided by the state of Ohio. Gifts, grants and contracts, and endowment income increased by 1 percentage point over last fiscal year, while endowment and investment income decreased substantially due to factors that were previously discussed.



Miami continues to establish new financial aid programs and enhance the existing programs as part of our commitment to the goals of (1) making Miami University more accessible to a broad range of academically qualified students (2) providing incentives for top Ohio students to stay in Ohio and study in areas crucial to Ohio's future, and (3) broadening the socioeconomic, academic and racial diversity of the student body. In fiscal year 2008, financial aid awards totaled \$280.5 million.



Fiscal Year 2008

Operating revenues increased by 4.2 percent or \$15.1 million in fiscal year 2008. This increase was primarily a result of a 6 percent increase in out-of-state Oxford campus student tuition and a 4.6 percent increase in room and board rates. The in-state student tuition and fee increase at all three campuses was zero percent.

The majority of the \$51.5 million decrease in non-operating revenues is reflected in the decrease in net investment income. Although the fiscal year 2008 investment income was negative, the large variance was exaggerated by the fact that the fiscal year 2007 investment income was unusually good. Increases in non-operating revenues included state appropriations which increased by \$5.2 million or 7 percent and gifts which increased by \$5.2 million.

In other revenues, the capital grants and gifts and additions to permanent endowments returned to normal amounts after unusually large gifts were recorded in 2007 for the new Farmer School of Business building, Goggin Ice Center and the endowed gift from Lois K. Klawon to provide scholarships for needy students.

Operating expenses increased by 4.8 percent or \$22.9 million. This increase was mainly due to a 3.0 percent average increase in employee salaries, increases in employee benefit costs such as health care insurance where actual claims rose 7.2 percent, and increases in utility costs.

Fiscal Year 2007

Operating revenues increased by \$26.2 million in fiscal year primarily due to an increase in the Oxford campus student tuition and fee rate of 5.2 percent, a 5.6 percent increase in room and board rates, and regional campus tuition increases of 6.0 percent. Operating expenses increased by \$27.2 million primarily due to a 3.0 percent average increase in employee salaries and increases in employee benefit costs such as health care insurance.

The overall net increase in non-operating revenues was attributable to a \$20.1 million increase in net investment income and a \$1.9 million decrease in state appropriations and other educational programs. The decrease in the state capital appropriation of \$6.8 million was reported under the other revenues section.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the major sources and uses of cash by the institution for the fiscal year. The cash flow analysis is divided into four types of cash flows: operating activities, noncapital financing activities (which includes the state appropriations as well as gift revenues), capital and related financing activities (which includes debt activity), and investing activities.

	2008	2007	2006
Net cash used for operating activities	\$ (87,607,694)	\$ (78,246,302)	\$ (89,186,216)
Net cash provided by noncapital financing activities	119,850,871	117,579,314	107,401,367
Net cash provided by/(used for) capital and related financing activities	(91,776,500)	23,006,221	(97,223,686)
Net cash provided by/(used for) investing activities	66,367,026	(23,510,471)	72,143,063
Net increase/(decrease) in cash	\$ 6,833,703	\$ 38,828,762	\$ (6,865,472)
Cash and cash equivalents at beginning of year	60,109,987	21,281,225	28,146,697
Cash and cash equivalents at end of year	\$ 66,943,690	\$ 60,109,987	\$ 21,281,225

The \$6.8 million increase in the fiscal year 2008 cash and cash equivalents balance relates primarily to the net increase in the proceeds from the sale of investments.

Throughout the year, cash was used for capital acquisitions, payment of debt, investment activities, and operating activities. These uses of cash were offset in part by the cash provided by tuition and fees, the state appropriations, sales by auxiliary enterprises, gifts, and grants.

Capital Assets and Debt Administration

During fiscal year 2008, the university had several construction projects in progress and nearing completion. These projects are funded by a combination of bond proceeds, state capital appropriations, gifts, and local funding. The bond proceeds were generated from the 2005 Series General Receipts Revenue and Refunding bonds totaling \$98.5 million and the 2007 Series General Receipts Revenue Bonds totaling \$83.2 million. Major projects funded from these two bond proceeds include construction of a new School of Business Administration building, the North Campus Parking facility, and the Voice of America Learning Center as well as renovation projects at Benton Hall, Presser Hall, and Warfield Hall and infrastructure projects including the steam boiler pollution controls and the north campus plant chiller. See footnote 4 for additional information concerning capital assets and accumulated depreciation.

The university's bond rating remained the same with a rating of A1 from Moody's Investors Services and a rating of A+ from Standard and Poor's. For more detailed information on current outstanding debt, see footnote 6.

Economic Factors That Will Affect the Future

Miami, as well as many other Ohio and national higher education institutions, are facing numerous financial challenges in near term and possibly distance future. The primary sources of revenues are flat or increasing slightly, while expenditures continue to increase.

Revenues

In an effort to encourage the pursuit of higher education and make colleges and universities more affordable, state legislators have frozen tuition for all in-state students at Ohio public institutions for fiscal years 2008 and 2009. The freezing of tuition was intended to make Ohio's tuition more competitive with other state universities following years of having one of the highest tuition rates in the nation.

To offset some of the impact of the tuition freeze and to recognize the importance higher education plays in revitalizing and growing Ohio's economy, the Ohio leaders increased the state support of instruction for higher education. Miami's state investment in instruction increased by 8 percent or \$5.3 million in fiscal year 2008 and is budgeted to increase by 9.7 percent or \$7.0 million in fiscal year 2009.

As a result of the ongoing nationwide economic slowdown, the Ohio Governor announced budget cuts of \$733 million in January 2008 and in September 2008, \$540 million in fiscal year 2009 budget adjustments including a 4.75 percent across-the-board cut to state agencies was implemented. However, the state support for higher education was largely exempted from both of these adjustments. Given the financial outlook for Ohio's economy it remains unclear whether the current emphasis of making higher education more affordable can be sustained into the future.

With approximately one and a half years remaining in the university's major capital campaign, *For Love and Honor*, commitments totaling over \$336.6 million have been recorded as of August 2008. The goal of \$500 million to be raised by the university's bicentennial anniversary in December 2009, will bring much needed support for scholarships, instructional programs, and capital projects, and represent an important building block for the university's financial future.

Expenditures

With almost 75 percent of Miami's operating expenditures accounted for in salaries and staff benefits, increases in these expenditures can have a substantial impact on the financial bottom line. The large number of faculty retiring nationwide is increasing the competition and ultimately the cost of hiring outstanding faculty members. In addition, national health care costs, which account for almost 43 percent of Miami's total staff benefit costs, continue to increase rapidly. Miami has already taken action to control these costs including offering smoking cessation courses for staff and families, providing an employee wellness and fitness program, and requiring employees to pay a portion of their health insurance costs. Effective January 2009, Miami is also introducing a new high deductible health plan with a health savings account, which will provide an option for employees to take greater control over their health care costs. Also, through a competitive bid process, the university has selected a new health insurance administrator who will be a partner in managing employee health and health care costs.

Miami has also been impacted by the nationwide shortages and cost increases for energy. Increases in coal and natural gas cost contributed toward the \$2.6 million or 23 percent increase in utility expenditures on the Oxford campus. In addition, financial aid expenditures were increased \$19.6 million or 11 percent primarily due to the continued increase in competition for the best and brightest students. Both of these expenditures are expected to continue to increase in fiscal year 2009 and beyond.

Despite the external pressures on sources of revenue and the increases in expenditures, Miami University's financial position remains strong. However, as the national and state financial outlooks appear volatile, the university is considering ways to strengthen its financial position. The university is performing an extensive review of the core operating budgets for all three campuses to align departmental budgets with the university's strategic goals. Also, in order to better manage its financial future, the university will continue to refine its long range financial, facilities and housing plans to support sound decision-making. Miami's strategic goals, coupled with a strong operating budget will continue to provide students an engaged learning environment while providing one of the best educational values in Ohio.

Miami University
Statement of Net Assets
June 30, 2008 and 2007

	<u>Miami University</u>		<u>University Foundation</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 66,943,690	\$ 60,109,987	\$ 22,620,754	\$ 15,797,400
Investments (includes \$0.4 million at June 30, 2008 and \$29.1 million at June 30, 2007 of bond proceeds)	129,013,743	205,524,276	0	0
Accounts, pledges and notes receivable, net	54,441,254	35,602,907	14,297,564	13,879,386
Inventories	3,846,020	4,199,266	0	0
Prepaid expenses and deferred charges	882,028	1,064,843	0	0
Total current assets	<u>255,126,735</u>	<u>306,501,279</u>	<u>36,918,318</u>	<u>29,676,786</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	0	0	2,827,575	3,120,068
Investments	154,456,387	172,155,937	221,802,381	228,242,723
Pledges and notes receivable, net	6,682,551	5,995,685	40,847,033	37,259,363
Capital assets, net	663,178,774	603,807,719	0	0
Total noncurrent assets	<u>824,317,712</u>	<u>781,959,341</u>	<u>265,476,989</u>	<u>268,622,154</u>
Total assets	<u>\$ 1,079,444,447</u>	<u>\$ 1,088,460,620</u>	<u>\$ 302,395,307</u>	<u>\$ 298,298,940</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 25,213,819	\$ 21,295,402	\$ 9,805,041	\$ 9,722,422
Accrued salaries and wages	15,473,424	16,956,437	0	0
Accrued compensated absences	1,056,190	1,056,470	0	0
Deferred revenue	14,761,703	14,606,788	0	0
Deposits	9,122,633	8,880,605	0	0
Long term debt - current portion	7,720,237	7,530,829	0	0
Other current liabilities	0	0	710,002	713,673
Total current liabilities	<u>73,348,006</u>	<u>70,326,531</u>	<u>10,515,043</u>	<u>10,436,095</u>
NONCURRENT LIABILITIES				
Accrued compensated absences	14,671,003	13,517,832	0	0
Bonds payable	227,119,536	234,538,972	0	0
Note payable	1,875,593	1,940,964	0	0
Capital leases payable	715,758	831,594	0	0
Federal Perkins loan program	6,530,026	6,575,286	0	0
Other noncurrent liabilities	0	0	6,301,265	10,876,772
Total noncurrent liabilities	<u>250,911,916</u>	<u>257,404,648</u>	<u>6,301,265</u>	<u>10,876,772</u>
Total liabilities	<u>324,259,922</u>	<u>327,731,179</u>	<u>16,816,308</u>	<u>21,312,867</u>
NET ASSETS				
Invested in capital assets, net of related debt	454,613,643	427,469,404	0	0
Restricted net assets				
Nonexpendable	84,428,812	88,015,596	178,980,438	169,624,886
Expendable	54,821,384	40,433,301	103,248,353	103,981,995
Unrestricted net assets	161,320,686	204,811,140	3,350,208	3,379,192
Total net assets	<u>755,184,525</u>	<u>760,729,441</u>	<u>285,578,999</u>	<u>276,986,073</u>
Total liabilities and net assets	<u>\$ 1,079,444,447</u>	<u>\$ 1,088,460,620</u>	<u>\$ 302,395,307</u>	<u>\$ 298,298,940</u>

See accompanying notes to financial statements.

Miami University
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2008 and 2007

	Miami University		University Foundation	
	2008	2007	2008	2007
OPERATING REVENUES				
Tuition, fees, and other student charges	\$ 417,331,012	\$ 394,003,736	\$ 0	\$ 0
Less Ohio Leader and Ohio Resident Scholarships	(144,411,255)	(132,528,810)	0	0
Less allowance for student scholarships	(34,331,856)	(28,957,970)	0	0
Net tuition, fees, and other student charges	<u>238,587,901</u>	<u>232,516,956</u>	<u>0</u>	<u>0</u>
Sales and services of auxiliary enterprises	109,823,967	104,463,915	0	0
Less allowance for student scholarships	(3,614,517)	(3,546,660)	0	0
Net sales and services of auxiliary enterprises	<u>106,209,450</u>	<u>100,917,255</u>	<u>0</u>	<u>0</u>
Federal contracts	14,421,805	13,213,803	0	0
Gifts	0	0	10,033,861	5,262,195
Sales and services of educational activities	7,026,336	6,199,339	0	0
Private contracts	2,318,096	2,057,205	0	0
State contracts	1,916,340	1,673,151	0	0
Local contracts	263,970	259,814	0	0
Other	4,252,335	3,060,178	0	0
Total operating revenues	<u>374,996,233</u>	<u>359,897,701</u>	<u>10,033,861</u>	<u>5,262,195</u>
OPERATING EXPENSES				
Education and general:				
Instruction and departmental research	168,577,854	164,370,368	0	0
Separately budgeted research	14,231,398	12,495,935	0	0
Public service	3,110,307	2,898,210	0	0
Academic support	51,371,812	50,687,191	0	0
Student services	23,212,235	22,108,611	0	0
Institutional support	39,741,218	41,073,169	0	0
Operation and maintenance of plant	34,701,632	30,777,705	0	0
Scholarships and fellowships	13,874,404	11,516,442	0	0
Auxiliary enterprises	109,650,648	102,518,982	0	0
Depreciation	32,034,307	29,169,659	0	0
Other	6,223,398	6,250,424	0	10,250
Total operating expenses	<u>496,729,213</u>	<u>473,866,696</u>	<u>0</u>	<u>10,250</u>
Net operating gain (loss)	<u>(121,732,980)</u>	<u>(113,968,995)</u>	<u>10,033,861</u>	<u>5,251,945</u>
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	80,194,992	74,951,146	0	0
Gifts, including \$11,048,300 in FY08 and \$15,210,289 in FY07 from the University Foundation	21,991,705	16,828,399	0	0
Federal grants	11,674,077	9,782,918	0	0
Net investment income (loss), net of investment expense of \$2,320,154 for University and \$1,942,340 for the Foundation in FY08 and \$1,521,754 for University and \$1,029,053 for the Foundation in FY07	(8,751,545)	53,929,753	(3,629,898)	36,990,107
State grants	2,753,189	2,125,956	0	0
Interest on debt	(8,787,243)	(7,407,065)	0	0
Payments to Miami University	0	0	(11,048,300)	(15,210,289)
Other non-operating revenues (expenses)	523,800	888,227	(554,844)	1,143,853
Net non-operating revenues (expenses)	<u>99,598,975</u>	<u>151,099,334</u>	<u>(15,233,042)</u>	<u>22,923,671</u>
Income (loss) before other revenues, expenses, and gains or losses	<u>(22,134,005)</u>	<u>37,130,339</u>	<u>(5,199,181)</u>	<u>28,175,616</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
State capital appropriation	10,427,399	10,864,976	0	0
Capital grants and gifts	2,832,078	10,365,597	0	0
Additions to permanent endowments	3,329,612	15,730,866	13,792,107	14,297,400
Total other revenues, expenses, gains, or losses	<u>16,589,089</u>	<u>36,961,439</u>	<u>13,792,107</u>	<u>14,297,400</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (5,544,916)	\$ 74,091,778	\$ 8,592,926	\$ 42,473,016
Net assets at beginning of year	<u>760,729,441</u>	<u>686,637,663</u>	<u>276,986,073</u>	<u>234,513,057</u>
Net assets at end of year	\$ <u>755,184,525</u>	\$ <u>760,729,441</u>	\$ <u>285,578,999</u>	\$ <u>276,986,073</u>

See accompanying notes to financial statements.

Miami University
Statement of Cash Flows
Year ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition, fees, and other student charges	\$ 274,898,885	\$ 262,102,371
Sales and services of auxiliary enterprises	110,014,304	104,409,531
Contracts	18,871,497	18,274,152
Other operating receipts	11,067,267	9,636,089
Payments for employee compensation and benefits	(319,052,259)	(301,852,867)
Payments to vendors for services and materials	(130,580,305)	(126,957,124)
Student scholarships	(51,820,777)	(44,021,072)
Loans issued to students and employees	(3,351,343)	(3,035,673)
Collection of loans from students and employees	2,345,037	3,198,291
Net cash used for operating activities	(87,607,694)	(78,246,302)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State share of instruction	80,194,992	74,951,146
Grants for noncapital purposes	14,427,266	11,908,874
Gifts	25,228,613	30,719,294
Net cash provided by noncapital financing activities	119,850,871	117,579,314
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriation	12,374,020	11,727,392
Grants for capital purposes	1,757,439	6,873,942
Other capital and related receipts	608,796	376,610
Proceeds from debt obligations	-	86,699,886
Payments to construct, renovate, or purchase capital assets	(85,945,078)	(65,956,199)
Principal paid on outstanding debt	(7,174,620)	(7,601,162)
Interest paid on outstanding debt	(13,397,057)	(9,114,248)
Net cash provided by/(used for) capital and related financing activities	(91,776,500)	23,006,221
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	223,731,880	640,714,655
Purchases of investments	(168,782,311)	(676,254,207)
Endowment income	1,762,679	2,616,470
Other investment income	9,654,778	9,412,611
Net cash provided by/(used for) investing activities	66,367,026	(23,510,471)
 NET INCREASE IN CASH	\$ 6,833,703	\$ 38,828,762
Cash and cash equivalents at beginning of year	60,109,987	21,281,225
Cash and cash equivalents at end of year	\$ 66,943,690	\$ 60,109,987

See accompanying notes to financial statements.

Miami University
Statement of Cash Flows
Year ended June 30, 2008 and 2007

	2008	2007
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Net Operating Loss, per Statement of Revenues, Expenses, and Changes in Net Assets	\$ (121,732,980)	\$ (113,968,995)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation expense	32,034,307	29,169,659
Net loss on disposal of capital assets	756,736	335,660
Accounts receivable bad debt adjustments	(301,791)	25,748
Adjustments to reconcile change in net assets to net cash used for operating activities		
Accounts receivable	1,293,493	(720,071)
Inventories	353,246	(840,828)
Prepaid expenses	182,816	67,341
Notes receivable	(838,721)	99,187
Accounts payable	625,965	2,020,767
Accrued salaries	(1,483,013)	1,045,848
Compensated absences	1,152,891	944,450
Deferred income and deposits	394,617	3,490,068
Federal Perkins loans	(45,260)	84,864
Net cash used for operating activities	\$ (87,607,694)	\$ (78,246,302)
 Supplemental disclosure of noncash information		
Equipment acquired under capital lease obligations	\$ 133,251	\$ 449,848
Property and equipment included in accounts payable	9,697,667	5,931,922
Property and equipment acquired by gifts in kind	1,074,640	3,491,655

See accompanying notes to financial statements.

Notes to Financial Statements
June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies

Miami University (the university) is a land grant institution chartered by the State of Ohio in 1809 and governed by a Board of Trustees (the board). The board consists of 14 members, including two student members and three non-voting national trustees. Voting members are appointed one each year for nine-year terms by the governor with the advice and consent of the state senate. The two student non-voting members are appointed for two-year staggered terms by the governor with the advice and consent of the senate and the national trustees are appointed for three-year terms by the voting members.

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

Basis for Presentation

Effective July 1, 2007, the university adopted Governmental Accounting Standards Board (GASB) 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 benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. There has been no impact to the university financial statements due to the adoption of Statement No. 45.

Effective July 1, 2007, the university adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether the proceeds received from the sale of receivables should be reported as revenue or as a liability. There has been no impact to the university financial statements due to the adoption of Statement No. 48.

Effective July 1, 2007 the university adopted GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB). There has been no impact to the university financial statements due to the adoption of Statement No. 50.

In November, 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The statement is effective for periods beginning after December 15, 2007. The university has determined that this statement will not have a significant impact on the financial statements.

In June, 2007, GASB issued Statement No. 51, *Accounting and Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets. The statement is effective for periods beginning after June 15, 2009. The university has not yet determined the impact this statement will have on the financial statements.

In November, 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments. It requires endowments to report their land and other real estate investments at fair value. The statement is effective for periods beginning after June 15, 2008. The university has determined that this statement will not have a significant impact on the financial statements.

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

Cash and Cash Equivalents

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

Investments

Investments that are market traded, such as equity and debt securities, mutual funds, and cash equivalents, are recorded at fair value based on quoted market prices, as established by the major securities markets. The value of holdings of commingled funds investing in publicly traded stocks and bonds and not having a readily determined market value for fund units is based on the funds' net asset value as supplied by the investment manager. Investments in real estate are recorded at appraised value at the date of donation. The issuing insurance companies determine the cash surrender value of the paid-up life insurance policies annually.

Market prices are not available for certain investments. These investments are carried at estimated fair value provided by the funds' management. Some fund valuations are determined as of June 30, while the remaining valuations are determined as of March 31 and adjusted by cash receipts, cash disbursements, and securities distributions through June 30. The university believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

Investment income is recorded on the accrual basis and purchases and sales of investments are recorded on a trade-date basis. Investment transactions occurring on or before June 30 which settle after such date are recorded as receivables or payables.

Inventories

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

Capital Assets

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. Land, collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings, 25 years for infrastructure, library books and land improvements, 20 years for improvements to buildings, and 5 to 7 years for equipment, vehicles and furniture. The university's capitalization threshold is the lower of 5 percent of the original building cost or \$100,000 for building renovations and \$1,200 for all other capitalized items.

Deferred Revenue

Tuition and fees relating to summer sessions that are conducted in July and August are recorded in the accompanying statement of net assets as deferred revenue. Deferred revenue also includes the amounts received from grants and contract sponsors that have not yet been earned and amounts received from a tuition payment service for payments received for the next fiscal year. These will be recorded as revenue in the following fiscal year.

Operating and Non-operating Revenue

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

Compensated Absences

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

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

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reports the institution's net equity in property, plant and equipment. The second major category is restricted net assets. This category contains net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The corpus of the nonexpendable restricted net assets is available for investment purposes only. The expendable restricted net assets may be expended by the institution, but must be spent only for the purpose as determined by a donor or external entity. The income generated from the nonexpendable restricted investments and the expendable restricted funds may be used for student loans, scholarships and fellowships, instruction, research, and other needs to support the operation of the university. The third category is unrestricted net assets and is separated into two types; allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are allocated for a specific purpose within the institution by university policy, management or the governing board. The allocated unrestricted net assets were \$154,818,276 and \$198,898,760, as of June 30, 2008 and 2007, respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

Tax Status

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

Estimates

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

Reclassifications

Certain items in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

(2) Cash and Investments

The university's cash and investment activities are governed by policies adopted by the board in accordance with authority granted by the Ohio Revised Code. Such policies are implemented by the treasurer and overseen by the board's Finance and Audit Committee.

The university's investment strategy incorporates financial instruments that involve varying elements of risk including market risk, credit risk, interest rate risk, and custodial credit risk. The university's investment policies and procedures establish risk guidelines for each of the two primary investment pools, the non-endowment pool and endowment pool. Diversification is a fundamental risk management strategy for both pools.

Cash and Cash Equivalents

At year-end, the carrying amount of the university's cash and cash equivalents was approximately \$66.9 million. Cash and cash equivalents consists primarily of cash in banks, money market accounts and the State Treasury Reserve of Ohio (STAR Ohio) that include short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less.

Approximately \$400,000 of cash and cash equivalents was covered by federal depository insurance, \$5,529,968 was covered by collateral held by third-party trustees pursuant to paragraph 135.181 of the Ohio Revised Code in collateral pools securing all public funds on deposit with specific depository institutions, and the remainder was not collateralized or insured, leaving it exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the university may not be able to recover its deposits or collateral securities. The university maintains active relationships with multiple cash equivalent accounts to reduce its exposure to custodial credit risk at any single institution.

Investments

Investments held by the university at June 30, 2008 and 2007 are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's investment management procedures establish guidelines for average credit quality ratings in the portfolios.

The investments as of June 30, 2008, are summarized as follows:

Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
U.S. Treasury bonds	\$ 4,238,473	\$ 0	\$ 4,238,473	\$ 0	\$ 0
U.S. Agency bonds	8,601,783	0	8,601,783	0	0
Strips	1,961,417	0	1,961,417	0	0
Mortgage-backed bonds	6,099,493	0	6,099,493	0	0
Corporate bonds	10,412,463	0	1,311,010	9,101,453	0
Municipal bonds	1,455,509	0	0	1,455,509	0
Common and preferred stocks	93,594,863	93,594,863	0	0	0
Commingled funds	136,202,217	87,298,910	33,046,802	14,737,123	1,119,382
Limited partnerships	20,403,511	20,403,511	0	0	0
Real estate and other	500,401	500,401	0	0	0
Total investments	\$283,470,130	\$201,797,685	\$55,258,978	\$25,294,085	\$1,119,382

The investments as of June 30, 2007, are summarized as follows:

Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
U.S. Treasury bonds	\$ 7,369,465	\$ 0	\$ 7,369,465	\$ 0	\$ 0
U.S. Agency bonds	8,180,168	0	8,180,168	0	0
Strips	1,892,355	0	1,892,355	0	0
Mortgage-backed bonds	4,763,327	0	4,763,327	0	0
Corporate bonds	8,128,923	0	777,035	7,351,888	0
Common and preferred stocks	76,140,930	76,140,930	0	0	0
Commingled funds	260,116,104	151,050,726	89,357,794	18,833,896	873,688
Limited partnerships	10,450,630	10,450,630	0	0	0
Real estate and other	638,311	638,311	0	0	0
Total investments	\$377,680,213	\$238,280,597	\$112,340,144	\$26,185,784	\$ 873,688

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

The university's bond investments are exposed to interest rate risk, which is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed primarily by adjusting portfolio duration.

Bond investments by length of maturity as of June 30, 2008, are summarized as follows:

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Treasury bonds	\$ 4,238,473	\$1,424,150	\$ 1,736,075	\$ 1,078,248	\$ 0
U.S. Agency bonds	8,601,783	1,611,610	5,900,195	1,089,978	0
Strips	1,961,417		1,174,508	396,503	390,406
Mortgage-backed bonds	6,099,493	0	1,140,265	4,959,228	0
Corporate bonds	10,412,463	922,125	6,762,970	2,727,368	0
Municipal bonds	1,455,509	0	809,790	645,719	0
Commingled bond funds	48,903,307	1,009,236	10,581,392	37,312,679	
Total Bonds	\$81,672,445	\$4,967,121	\$28,105,195	\$48,209,723	\$ 390,406

Bond investments by length of maturity as of June 30, 2007, are summarized as follows:

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Treasury bonds	\$ 7,369,465	\$ 2,175,471	\$ 4,286,402	\$ 907,592	\$ 0
U.S. Agency bonds	8,180,168	790,125	5,618,195	1,771,848	0
Strips	1,892,355	485,475	462,740	576,637	367,503
Mortgage-backed bonds	4,763,327	0	801,426	3,961,901	0
Corporate bonds	8,128,923	1,684,393	3,795,514	2,472,370	176,646
Commingled bond funds	<u>109,065,378</u>	<u>60,900,450</u>	<u>10,528,604</u>	<u>37,636,324</u>	<u>0</u>
Total Bonds	<u>\$139,399,616</u>	<u>\$66,035,914</u>	<u>\$25,492,881</u>	<u>\$47,326,672</u>	<u>\$544,149</u>

All of the university's investments in publicly-traded securities are subject to market risk. Investments include approximately \$52.1 million managed by international and global equity managers, and such international investments are exposed to foreign currency risk. Exposure to concentration risk is not significant since no single issuer, except the United States Treasury, represents more than 5% of investments.

Fair values were determined based on prices of established securities markets, with the exception of some hedge funds and alternative investments whose fair values were provided by the funds' managements. Alternative investments generally represent investments that are less liquid than publicly-traded securities and include private equity, investments in real assets and other strategies. Hedge funds may include, but are not limited to, long and short investments in domestic and international equity securities, distressed securities, fixed income securities, currencies, commodities, options, futures, and other derivatives. Many of these securities are intended to reduce market risk, credit risk, and interest rate risk. As of June 30, 2008, the university has made commitments to limited partnerships totaling \$26.1 million that have not yet been funded.

The university's investment portfolio includes publicly traded securities. As a result, a significant downturn in the securities markets could adversely affect the market value of university assets. Subsequent to June 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the university's investments since June 30, 2008. However, the university continues to monitor the investment portfolio as conditions evolve.

Endowment Spending Distribution

Annually the university establishes a spending formula that defines the total amount of dividends, interest and realized gains to be distributed from the endowment investment pool to other funds. The authorized spending amount was \$7,857,068 in 2008 and \$7,101,822 in 2007. In accordance with donors' stipulations, a portion of the earnings was returned to endowment principal and the balance of \$7,557,356 and \$6,772,810 was distributed for expenditure for 2008 and 2007, respectively.

(3) Accounts Receivable

The accounts, pledges and notes receivable as of June 30, 2008 and 2007, are summarized as follows:

	2008	2007
Accounts Receivable		
Student receivables	\$ 7,235,909	\$ 9,029,636
University Foundation	9,711,411	9,612,762
State capital appropriations	4,626,753	6,573,374
Grants and contracts	5,479,514	5,342,237
Investment trade settlements	21,923,712	445,700
Other receivables	1,530,350	993,894
Total accounts receivable	\$ 50,507,649	\$ 31,997,603
Less allowance for doubtful accounts	(750,000)	(1,000,000)
Net accounts receivable	\$ 49,757,649	\$ 30,997,603
Pledges Receivable		
Pledges receivable	\$ 2,098,401	\$ 2,167,005
Less allowance for doubtful pledges	(389,280)	(409,286)
Net pledges receivable	\$ 1,709,121	\$ 1,757,719
Notes Receivable		
Federal loan programs	\$ 7,916,322	\$ 7,357,608
University loan programs	2,981,713	2,626,662
Total notes receivable	\$ 10,898,035	\$ 9,984,270
Less allowance for doubtful notes	(1,241,000)	(1,141,000)
Net notes receivable	\$ 9,657,035	\$ 8,843,270
Total	<u>\$61,123,805</u>	<u>\$41,598,592</u>

(4) Capital Assets

The capital assets and accumulated depreciation as of June 30, 2008, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	\$ 4,650,176	\$ 0	\$ 0	\$ 4,650,176
Infrastructure	93,862,359	1,819,669	0	95,682,028
Buildings	595,696,930	24,779,557	783,323	619,693,164
Land improvements	21,329,819	962,743	0	22,292,562
Machinery and equipment	145,356,374	12,193,415	4,417,220	153,132,569
Library books and publications	57,959,739	1,492,596	0	59,452,335
Vehicles	8,304,231	815,561	360,307	8,759,485
Construction in progress	65,636,814	73,728,664	24,331,947	115,033,531
Works of art & historical treasures	<u>5,108,767</u>	<u>701,840</u>	<u>0</u>	<u>5,810,607</u>
Total capital assets	\$997,905,209	\$116,494,045	\$29,892,797	\$1,084,506,457
Less Accumulated Depreciation				
Infrastructure	29,534,166	3,632,428	0	33,166,594
Buildings	237,854,003	16,931,753	473,828	254,311,928
Land improvements	7,114,040	708,531	0	7,822,571
Machinery and equipment	84,497,678	8,017,698	4,016,160	88,499,216
Library books and publications	29,142,984	2,110,531	0	31,253,515
Vehicles	<u>5,954,619</u>	<u>633,366</u>	<u>314,126</u>	<u>6,273,859</u>
Total accumulated depreciation	<u>\$394,097,490</u>	<u>\$ 32,034,307</u>	<u>\$ 4,804,114</u>	<u>\$421,327,683</u>
Capital assets, net	<u>\$603,807,719</u>	<u>\$ 84,459,738</u>	<u>\$25,088,683</u>	<u>\$663,178,774</u>

The capital assets and accumulated depreciation as of June 30, 2007, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	\$ 4,650,176	\$ 0	\$ 0	\$ 4,650,176
Infrastructure	69,917,572	23,944,787	0	93,862,359
Buildings	446,264,485	154,888,189	5,455,744	595,696,930
Land improvements	19,329,318	2,000,501	0	21,329,819
Machinery and equipment	137,955,734	12,520,592	5,119,952	145,356,374
Library books and publications	56,350,682	1,609,057	0	57,959,739
Vehicles	7,823,691	686,010	205,470	8,304,231
Construction in progress	197,301,556	46,010,767	177,675,509	65,636,814
Works of art & historical treasures	<u>3,006,230</u>	<u>2,102,537</u>	<u>0</u>	<u>5,108,767</u>
Total capital assets	\$942,599,444	\$ 243,762,440	\$188,456,675	\$997,905,209
Less Accumulated Depreciation				
Infrastructure	26,392,150	3,142,016	0	29,534,166
Buildings	228,011,689	15,127,654	5,285,340	237,854,003
Land improvements	6,462,735	651,305	0	7,114,040
Machinery and equipment	81,915,701	7,536,673	4,954,696	84,497,678
Library books and publications	27,065,949	2,077,035	0	29,142,984
Vehicles	<u>5,525,113</u>	<u>634,976</u>	<u>205,470</u>	<u>5,954,619</u>
Total accumulated depreciation	<u>\$375,373,337</u>	<u>\$ 29,169,659</u>	<u>\$ 10,445,506</u>	<u>\$394,097,490</u>
Capital assets, net	<u>\$567,226,107</u>	<u>\$214,592,781</u>	<u>\$178,011,169</u>	<u>\$603,807,719</u>

(5) Long term Liabilities

The long term liabilities as of June 30, 2008, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Leases, and Notes Payable					
Bonds payable	\$234,763,169	\$ 0	\$6,898,658	\$227,864,511	\$7,049,899
Capital leases payable	1,036,650	133,251	214,043	955,858	240,100
Notes payable	2,002,882	0	61,918	1,940,964	65,371
Premiums, issue costs, loss on refunding	<u>7,039,658</u>	<u>0</u>	<u>369,867</u>	<u>6,669,791</u>	<u>364,867</u>
Total bonds, leases, and notes payable	\$244,842,359	\$ 133,251	\$7,544,486	\$237,431,124	\$7,720,237
Other Liabilities					
Compensated absences	14,574,302	7,915,671	6,762,780	15,727,193	1,056,190
Federal Perkins loans	<u>6,575,286</u>	<u>303,863</u>	<u>349,123</u>	<u>6,530,026</u>	<u>0</u>
Total other liabilities	<u>\$ 21,149,588</u>	<u>\$8,219,534</u>	<u>\$ 7,111,903</u>	<u>\$ 22,257,219</u>	<u>\$1,056,190</u>
Total	<u>\$265,991,947</u>	<u>\$8,352,785</u>	<u>\$14,656,389</u>	<u>\$259,688,343</u>	<u>\$8,776,427</u>

The long term liabilities as of June 30, 2007, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Leases, and Notes Payable					
Bonds payable	\$158,914,884	\$83,210,000	\$ 7,361,715	\$234,763,169	\$6,898,658
Capital leases payable	767,600	449,848	180,798	1,036,650	205,056
Notes payable	2,061,531	0	58,649	2,002,882	61,918
Premiums, issue costs, loss on refunding	<u>4,396,938</u>	<u>2,907,844</u>	<u>265,124</u>	<u>7,039,658</u>	<u>365,197</u>
Total bonds, leases, and notes payable	\$166,140,953	\$86,567,692	\$ 7,866,286	\$244,842,359	\$7,530,829
Other Liabilities					
Compensated absences	13,629,852	7,511,578	6,567,128	14,574,302	1,056,470
Federal Perkins loans	<u>6,490,422</u>	<u>350,670</u>	<u>265,806</u>	<u>6,575,286</u>	<u>0</u>
Total other liabilities	<u>\$ 20,120,274</u>	<u>\$ 7,862,248</u>	<u>\$ 6,832,934</u>	<u>\$ 21,149,588</u>	<u>\$1,056,470</u>
Total	<u>\$186,261,227</u>	<u>\$94,429,940</u>	<u>\$14,699,220</u>	<u>\$265,991,947</u>	<u>\$8,587,299</u>

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

(6) Indebtedness

The bonds are secured by a pledge of the general receipts of the university. The note payable is collateralized by certain quasi-endowment investments of the university. The university may at its discretion use, or pledge, to the extent lawfully authorized, such other resources as are available for use in the performance of its obligation under the various trust agreements.

During the year ended June 30, 2007 the university issued \$83,210,000 in General Receipts Revenue Bonds with interest rates ranging from 3.25% to 5.25% and maturities from 2010 to 2026. The proceeds are being used for the following purposes: construction of the Farmer School of Business building, completion of construction of an engineering and applied science building, renovation of Benton Hall, Presser Hall, Hiestand Hall, Center for Performing Arts and Pearson Hall, rehabilitation and construction of a campus center for the Middletown Campus, construction of a new learning center in Butler County, construction and design of a parking garage, upgrade and relocation of utility infrastructure and costs of replacing the boiler emission control system.

The Series 2007 bonds are subject to federal arbitrage obligations. The university does not anticipate any significant liability in relation to the arbitrage obligations.

During the year ended June 30, 2005 the university issued \$98,455,000 in General Receipts Revenue and Refunding Bonds with interest rates ranging from 3% to 5% and maturities from 2006 to 2025. The proceeds were used to refund a portion of the remaining Miami University General Receipts Bonds, Series 1998 and for the funding of additional capital assets. In 2005, the university defeased a portion of the Series 1998 bonds by placing some of the proceeds from the Series 2005 bonds into an escrow account to provide for all future debt service. The outstanding balance of defeased bonds was \$13,975,000 and \$13,985,000 as of June 30, 2008 and 2007, respectively.

During the year ended June 30, 2003, the university issued \$61,400,000 in General Receipts Revenue and Refunding Bonds. The proceeds were used to refund a portion of the remaining Miami University General Receipts Bonds, Series 1993 and for the funding of additional capital assets.

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

The maturity dates, interest rates, and outstanding principal balances as of June 30, 2008, are as follows:

	Maturity Dates	Interest Rates	Outstanding Debt
Bonds Payable			
Series 2007 general receipts	2010 – 2027	3.25% - 5.25%	\$ 83,210,000
Series 2005 general receipts	2009 – 2025	3.0% – 5.0%	89,760,000
Series 2003 general receipts	2009 – 2024	2.5% - 5.5%	51,125,000
Series 1998 general receipts	2009 – 2010	4.1% - 4.2%	2,430,000
Series 1993 general receipts	2009 – 2010	5.8%	1,339,511
Note Payable			
U.S. Department of Education	2009 – 2026	5.5%	<u>1,940,964</u>
Total Bonds and Notes Payable			\$229,805,475
Bond premiums			(8,946,731)
Bond issuance costs			1,512,356
Deferred loss on refunding			<u>764,584</u>
Total Bonds and Notes Payable, net			<u><u>\$223,135,684</u></u>

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

Year Ended June 30	Principal	Interest	Total
2009	\$ 7,115,270	\$ 11,050,720	\$ 18,165,990
2010	10,003,629	10,818,126	20,821,755
2011	11,357,863	9,435,992	20,793,855
2012	11,801,926	8,992,282	20,794,208
2013	12,731,215	8,506,837	21,238,052
2014 – 2018	64,419,265	33,791,134	98,210,399
2019 – 2023	70,638,628	17,976,250	88,614,878
2024 – 2027	<u>41,737,679</u>	<u>2,835,738</u>	<u>44,573,417</u>
Total	<u><u>\$229,805,475</u></u>	<u><u>\$103,407,079</u></u>	<u><u>\$333,212,554</u></u>

The university has \$955,858 in capitalized lease obligations that have varying maturity dates through 2013 and carry implicit interest rates ranging from 4.37 percent to 17.16 percent. The scheduled maturities of these leases as of June 30, 2008, are:

Year Ended June 30	Minimum Lease Payments
2009	\$ 304,268
2010	290,817
2011	289,602
2012	217,500
2013	<u>7,623</u>
Total minimum lease payments	1,109,810
Less amount representing interest	<u>(153,952)</u>
Net minimum lease payments	<u><u>\$ 955,858</u></u>

Buildings and computer equipment are financed with capital leases. The carrying amount related to these capital leases as of June 30, 2008 and June 30, 2007 are \$1,653,537 and \$1,515,435 for buildings and \$527,102 and \$539,539 for equipment.

(7) Retirement Plans

Substantially all non-student employees are covered by one of three retirement plans. The university faculty are covered by the State Teachers Retirement System of Ohio (STRS Ohio). Non-faculty employees are covered by the Ohio Public Employees Retirement System of Ohio (OPERS). Employees may opt out of STRS Ohio and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS Ohio and OPERS both offer three separate retirement plans, the defined benefit plan, the defined contribution plan and a combined plan.

Defined Benefit Plans:

Both STRS Ohio and OPERS are cost-sharing multiple-employer defined benefit pension plans. Both plans provide retirement, disability, postretirement health care coverage, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute.

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

Contribution rates for STRS Ohio are established by the State Teachers Retirement Board, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution rates for fiscal year 2007 were 10 percent for employees and 14 percent for employers. For the fiscal years ended June 30, 2007 and June 30, 2006, the Retirement Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund (Note 8).

During calendar year 2007, employees covered by the OPERS system were required by state statute to contribute 9.5 percent of their salary to the plan. The university was required to contribute 13.77 percent of covered payroll; 8.27 percent was used to fund pension obligations and 5.5 percent funded the retiree health care program (Note 8). Law enforcement employees that are a part of the OPERS law enforcement division contribute 10.1 percent of their salary to the plan. For these employees, the university was required to contribute 17.17 percent of covered payroll; 11.67 percent was used to fund pension obligations and 5.5 percent funded the retiree health care program (Note 8).

The payroll for employees covered by STRS Ohio for the years ended June 30, 2008 and 2007, were approximately \$67,702,000 and \$68,552,000, respectively. The payroll for employees covered by OPERS for the years ended June 30, 2008 and 2007, were approximately \$93,251,000 and \$86,585,000, respectively.

Defined Contribution Plan:

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

The payroll for employees electing the alternative retirement program for the years ended June 30, 2008 and 2007, were approximately \$45,373,000 and \$41,084,000, respectively.

Combined Plans:

STRS Ohio offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. OPERS also provides retirement, disability, survivor and postretirement health care benefits to qualified members.

Retirement Plan Funding:

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

	Employer Contribution		Alternative Programs
	STRS Ohio	OPERS	
2008	\$9,478,262	\$13,003,935	\$6,329,724
2007	9,597,350	11,881,520	5,687,822
2006	9,538,878	11,302,591	4,282,852

(8) Other Postemployment Benefits

In addition to the pension benefits described in Note 7, STRS Ohio and OPERS provide postretirement health care coverage to retirees and their dependents. Health care coverage for disability recipients and primary survivor recipients is also provided. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer contribution (1.0 percent for STRS and 5.5 percent for OPERS) is allocated to fund the health care benefits.

The STRS Ohio health care plan is financed on a pay-as-you-go basis. The net health care costs paid by the plan were \$265.6 million for the year ended June 30, 2007, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled \$4.1 billion as of June 30, 2007. At that date there were 122,934 eligible benefit recipients in the STRS Ohio plan.

OPERS health care benefits are advanced-funded on an actuarially determined basis. The amount of employer contributions actually made to fund post-employment benefits was \$5.2 million. The actuarial value of the retirement system's net assets available for other post-employment benefits was \$12.0 billion as of December 31, 2006. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. The number of active contributing participants was 374, 979 as of December 31, 2007.

(9) Related Organization

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

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

Summary financial information for the foundation as of June 30, 2008, the date of its most recent audited financial report, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ 3,350,208	\$103,248,353	\$178,980,438	\$285,578,999
Change in net assets for the year	(28,984)	(733,642)	9,355,552	8,592,926
Distributions to Miami University	11,048,300	0	0	11,048,300

Summary financial information for the foundation as of June 30, 2007:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ 3,379,192	\$103,981,995	\$169,624,886	\$276,986,073
Change in net assets for the year	2,275,880	12,827,429	27,369,707	42,473,016
Distributions to Miami University	15,210,289	0	0	15,210,289

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

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

(c) Investment Valuation – Investments that are market traded, such as equity and debt securities, mutual funds, and cash equivalents, are recorded at fair value based on quoted market prices, as established by the major securities markets. The value of holdings of commingled funds investing in publicly traded stocks and bonds and not having a readily determined market value for fund units is based on the funds' net asset value as supplied by the investment manager. Investments in real estate are recorded at appraised value at the date of donation. The issuing insurance companies determine the cash surrender value of the paid-up life insurance policies annually.

Market prices are not available for certain investments. These investments are carried at estimated fair value provided by the funds' managements. Some valuations are determined as of June 30, while the remaining valuations are determined as of March 31 and adjusted by cash receipts, cash disbursements, and securities distributions through June 30.

The foundation believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting.

Investment income is recorded on the accrual basis and purchases and sales of investments are recorded on a trade-date basis. Investment transactions occurring on or before June 30 which settle after such date are recorded as receivables or payables.

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

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

(e) Long-Term Investments

Investments held by the foundation as of June 30 were:

Investment Description	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Domestic Public Equities	\$ 41,054,271	\$ 41,974,590	\$ 34,099,095	\$ 39,886,976
Global Public Equities	38,479,833	37,355,637	36,559,415	38,041,747
International Public Equities	8,801,774	14,049,753	26,879,712	44,086,753
Domestic Public Fixed Income	10,655,843	11,114,724	19,098,580	19,438,841
Hedge Funds	59,600,000	68,223,759	46,135,000	54,096,167
Private Investments	40,740,747	38,187,933	23,318,486	20,586,784
Split-Interest Funds	<u>12,842,380</u>	<u>13,055,466</u>	<u>12,785,290</u>	<u>14,533,542</u>
Subtotal	212,174,848	223,961,862	198,875,578	230,670,810
Less assets held for Miami University Paper Science & Engineering Foundation	<u>(2,550,000)</u>	<u>(3,926,169)</u>	<u>(2,425,000)</u>	<u>(4,026,680)</u>
Total	<u><u>\$ 209,624,848</u></u>	<u><u>\$ 220,035,693</u></u>	<u><u>\$ 196,450,578</u></u>	<u><u>\$ 226,644,130</u></u>

Fair values were determined based on prices of established securities markets, with the exception of some hedge funds and alternative investments whose fair values were provided by the funds' managements. Alternative investments generally represent investments that are less liquid than publicly-traded securities and include private equity, investments in real assets and other strategies. Hedge funds may include, but are not limited to, long and short investments in domestic and international equity securities, distressed securities, fixed income securities, currencies, commodities, options, futures, and other derivatives. Many of these securities are intended to reduce market risk, credit risk, and interest rate risk. As of June 30, 2008, the foundation has made commitments to limited partnerships totaling \$38.0 million that have not yet been funded.

The foundation's investment portfolio includes publicly traded securities. As a result, a significant downturn in the securities markets could adversely affect the market value of foundation assets. Subsequent to June 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the foundation's investments since June 30, 2008. However, the foundation continues to monitor the investment portfolio as conditions evolve.

The 2008 dividend and interest income of \$2,141,639 is reported net of fees from external investment managers totaling \$853,737. The 2007 dividend and interest income of \$2,486,688 is reported net of fees from external investment managers totaling \$672,653.

(f) Pledges Receivable - As of June 30, 2008, contributors to the foundation have made unconditional pledges totaling \$65,814,126. Net pledges receivable have been discounted to a net present value of \$57,042,893 which represents fair market value. Discount rates ranged from 4.16 percent to 5.04 percent for 2008. Management has set up an allowance for uncollectible pledges of \$2,192,172. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified time. At June 30, 2008, the foundation had also been notified of revocable pledges, bequests, and other indications of intentions to give. These potential contributions have not been substantiated by unconditional written promises to the foundation. The foundation's policy is not to record these intentions to give as revenues until they are reduced to writing or are collected.

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

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

(10) Commitments

At June 30, 2008, the university is committed to future contractual obligations for capital expenditures of approximately \$55.2 million. These commitments are being funded from the following sources:

	Contractual Obligations
Approved state appropriations not expended	\$ 5,425,677
University funds	<u>49,793,011</u>
Total	<u><u>\$ 55,218,688</u></u>

(11) Risk Management

The university's employee health insurance program is a self-insured plan administered by Anthem Blue Cross/Blue Shield ("Anthem"). To reduce potential loss exposure, the university has established a reserve for health insurance stabilization of \$1.5 million.

Health insurance claims are accrued based upon estimates of the claims liabilities made by Anthem. These estimates are based on past experience, current claims outstanding, and medical inflation trends. As a result, the actual claims experience may differ from the estimate. An estimate of claims incurred but not reported in the amount of \$1,878,800 and \$1,940,375 is included in the accrued salaries and wages as of June 30, 2008 and 2007, respectively. The change in the total liability for actual and estimated claims is summarized below:

	2008	2007
Liability at beginning of year	\$ 2,287,793	\$ 2,004,547
Claims incurred	29,443,476	27,473,383
Claims paid	(29,125,739)	(27,453,016)
Increase (decrease) in estimated claims incurred but not reported	<u>(61,575)</u>	<u>262,879</u>
Liability at end of year	<u><u>\$ 2,543,955</u></u>	<u><u>\$ 2,287,793</u></u>

The university participates in a consortium with other state-assisted universities for the acquisition of commercial property and casualty insurance. The commercial property loss limit is \$1.0 billion and the general liability coverage is \$50.0 million. The property insurance program has been in place for more than twelve years and Miami has had no material losses above the pool deductible of \$350,000. The deductible for individual schools is \$100,000. The casualty program has been in place for more than eight years during which time Miami has had one loss above the pool deductible. The pool deductible is \$1.0 million and the deductible for individual schools is \$100,000. The university also carries commercial insurance for other risks. Over the past five years, settlement amounts related to insured risks have not exceeded the university's coverage amounts.

(12) Contingencies

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

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

(13) Subsequent Event

On September 29, 2008, Commonfund and Participants in The Common Fund for Short Term Investments (the "Short Term Fund") received notice from the Trustee of the Short Term Fund, Wachovia Bank, N.A. of Wachovia's decision to initiate the termination of the Short Term Fund, to establish procedures for an orderly liquidation and distribution of the fund's assets and to resign their role as Trustee of the Short Term Fund. As Trustee, Wachovia has the sole discretion to take this action. The action by the Trustee restricted liquidity. As securities mature or are sold, the liquidity restriction has eased on a daily basis. The restrictions are expected to last well into 2009.

On October 1, 2008 the Commonfund Intermediate Term Fund (the "Intermediate Term Fund") announced restrictions on liquidity to 30% of each participant's account balance. This was done upon authorization of the Common Fund Board of Trustees.

At June 30, 2008, the university maintained \$1,009,236 and \$10,581,392, and the foundation maintained \$2,344,134 and \$0, in the Short Term Fund and the Intermediate Term Fund, respectively. These investments are included as long term investments in the financial statements. The university and foundation have withdrawn funds from the Short Term Fund as they become available. The university believes that while this event has impacted liquidity, it has not impacted valuation, and that the entire balance in the Short Term Fund will be recovered.

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2008

Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER			
U.S. Department of Education:			
Supplemental ED Opportunity Grant Program	84.007	P007A073315	\$ 1,328,083
College Work Study Program	84.033	P033A073315	884,045
Pell Grant Program 07/08	84.063	P063P070342	8,556,329
Academic Competitiveness Grant Program	84.375	P375A060342	454,199
National Science and Mathematics Access to Retain Talent (SMART) Grant	84.376	P376S060342	137,849
Total U.S. Department of Education			<u>11,360,505</u>
Total Student Financial Assistance Cluster			<u>11,360,505</u>
RESEARCH AND DEVELOPMENT CLUSTER			
U.S. Department of Agriculture:			
Effects of Polyphenolic Substances on Soil Organic Matter	10.2	58-1932-6-634	29,795
Effort of Landscape Structure on Invasion Dynamics of the Invasive Shrub Lonicera Maackii	10.206	2007-35320-18349	58,761
Low Trans Fatty Acid Containing Hydrogenated Soybean Oil via a Novel Low Temp Electrochem Process	10.206	2005-35503-15369	78,765
Factors that Contribute to the Production and Maintenance of Kirtland's Warbler Habitat in the Bahamas	10.652	06-CA11120101-010	8,420
Restoration of Blight-resistant American Chestnut Trees on Mine Land in Ohio	10.652	06-JV11242300-093	7,963
Host-Range Studies of Baculoviruses for Insect Control	10.961	58-3148-7-164	1,926
Total U.S. Department of Agriculture-Direct Programs			<u>185,630</u>
Pass-Through Programs From:			
University of Nevada-Reno: Research to Develop Indicators of Change for Lake Tahoe's Nearshore Fish Community	10.XXX	--	3,871
Institute of Ecosystem Studies: Microbial Carbon and Nitrogen Cycle Process Response to Calcium Addition in a Northern Hardwood Forest	10.206	2956/200201015	3,921
Total U.S. Department of Agriculture-Pass-Through Programs			<u>7,792</u>
Total U.S. Department of Agriculture			<u>193,422</u>
U.S. Department of Commerce:			
2008 Summer Undergraduate Research Fellowship Partnership in Physics	11.609	70NANB8H8091	5,624
Pass-Through Programs From:			
Bowling Green State University: Economic Development in Local Government	11.303	06-66-05054-02	40,631
OSURF: Knauss Fellowship - Karla Garcia	11.417	NA07OAR4170025	24,000
Total U.S. Department of Commerce Pass-Through			<u>64,631</u>
Total U.S. Department of Commerce			<u>70,255</u>
Department of Defense:			
Advanced Adaptive UWB-OFDM Radar Imaging Sensor Network for Surveillance and Location	12.8	FA9550-07-1-0297	88,777
Development of Morphing Structures for Aircraft Using Shape Memory Polymers	12.8	FA9550-07-1-0323	2,892
Integrated Reconfigurable Aperture, Digital Beam Forming, and Software GPS Receiver for UAV Navigation	12.8	FA9550-05-1-0035	29,922
Precise GPS Signal Tracking in Interference and Multipath Environment Using a Multi-Channel Software Receiver	12.8	FA9550-08-1-0071	3,896
Three-Frequency Based High Precision GPS Receiver Development for Navigation Applications	12.8	FA9550-07-1-0354	141,872
High Throughput Screening of Biomimetic Metal-Organic Materials for Military Hydrogen-Storage Applications	12.XXX	N00164-07-P-1300	100,428
Extremal Problems on Color Structures in Edge-Colorings of Graphs	12.901	H98230-07-1-0027	13,522
Summer Undergraduate Mathematical Sciences Research Institute	12.901	H98230-07-1-0105	190,700
Total Department of Defense-Direct Programs			<u>572,009</u>
Pass-Through Programs From:			
Tsui Consulting: Algorithms for Digital Wideband Receiver Design/Analysis for Electronic Attack - Phase I	12.3	--	21,000
Radiance Technologies: The Impact of Free Trade and Neoliberal Economic Policies in the Windward Lesser Antilles	12.XXX	08S-0440	9,641
General Dynamics Company: Non-Linear Structural Response Prediction for Combined-Environment Aerostructures	12.XXX	F33601-03-F-0060	14,220
General Dynamics Information Technology, Inc.: LADAR EO GPS/INS Atomic Clock Navigation Demonstration (LEGAND) and Worldwide Accurate Sensor Positioning System (WASPS) Technical Support	12.XXX	F33601-02-F-A581	104,327
Wyle-UJDR: Image Processing - Considerations for Automatic Target Recognition	12.XXX	RSC07045	11,914
University of Dayton: Integration of Platforms for Persistent Surveillance	12.8	FA8650-04-2-4201	29,353
Wyle Laboratories: Frequency-Dependent Nonlinear Amplifier Modeling	12.8	19041.OD.31-353S	10,227
Wyle Laboratories: LADAR EO GPS/INS Atomic Clock Navigation Demonstration (LEGAND) Technical Support and Worldwide Accurate Sensor Positioning System (WASPS) Technical Support	12.8	19041.OC.27-1255	2,765
Total Department of Defense-Pass-Through Programs			<u>203,447</u>
Total Department of Defense			<u>775,456</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2008

Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
U.S. Department of Interior: Operation of the NADP/NTN Precipitation Chemistry Station at Oxford, Ohio	15.808	02HQPR00076	\$ 3,936
Pass-Through Programs From:			
Ohio University: Mine Land Reclamation and American Chestnut Restoration: Bring Technologies Together	15.252	UT14371	12,372
National Fish and Wildlife Foundation: using Buffer Zones to Promote Amphibian Populations	15.608	--	3,037
Ohio Department of Natural Resources: Old Woman Creek Estuary Study	15.634	--	28,000
Total U.S. Department of Interior-Pass-Through Programs			43,409
Total U.S. Department of Interior			47,345
U.S. Department of Transportation: Pass-Through Programs From:			
Ohio Department of Public Safety: Traffic Safety Evaluation & Action Planning II	20.6	H45066	376,510
National Aeronautics and Space Administration: Pass-Through Programs From:			
Ames Research Center: Analysis of a Novel Sensory Mechanism in Root Phototropism	43.002	NCC2-1200	255,075
National Endowment for Humanities: The Ya'qubi Translation Project	45.161	RZ-50072-03	526
National Science Foundation:			
Banach space structures of non-commutative L P-spaces and non-commutative martingale inequalities	47.049	DMS-0456781	38,541
CAREER: From Biomimetic Reaction Platforms to Nanostructured Artificial Enzymes	47.049	CHE-0449634	130,836
Generation, Measurement, and Preservation of Entanglement Using Cavity QED	47.049	PHY-0555572	42,788
Investigating Membrane Proteins with Magnetic Resonance Spectroscopy	47.049	CHE-0645709	120,515
Maximal methods for small sets	47.049	DMS-0401603	27,260
Natural Structures in Set Theory	47.049	DMS-0700983	13,739
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0553085	4,523
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0754200	154
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0653911	43,057
Uniform Metal nanoparticle Arrays as Model Electrocatalysts: Unraveling Particle Structure-Reactivity Relationship	47.049	CHE-0616436	87,237
A Study on the Circulation and Structure of Metallic Ions in the Mid-Latitude Ionosphere	47.05	ATM-0633418	34,008
Collaborative Proposal: Miocene Paleoclimatic Reconstruction along the Andean Forearc	47.05	EAR-0609571	68,397
Collaborative Proposal: Radiocarbon Dating Minute Gastropod Shells	47.05	EAR-0614647	50,437
Collaborative Research: A Study of Deep Subduction Integrating Broadband Seismology and Mineral Physics	47.05	EAR-0552002	31,261
Collaborative Research: A Study of Transient Aseismic Slip and Non-Volcanic Tremor in Southern Mexico With Large APerture Seismic and GPS Arrays	47.05	EAR-0510812	49,345
Collaborative Research: CEDAR Daytime Potassium Doppler Lidar at Arecibo	47.05	ATM-0535459	18,028
Collaborative Research: Crystal Chemistry of U, Th and other Radionuclides in Apatite: Environmental and Geochemical Implications	47.05	EAR-0409435	43,819
Collaborative Research: Forearc Cracks and the Rupture Segments of Great Earthquakes, N. Chile and S. Peru	47.05	EAR-0738507	20,834
Collaborative Research: High-Precision Teleseismic Relocation and Tomography for the M 9 and M 8.7 Sumatra Great Earthquake Sequences	47.05	EAR-0609535	11,415
Collaborative Research: Mantle and Fluid Evolution Across the Izu Arc	47.05	OCE-0325111	20,498
Collaborative Research: Paleoaltimetry of the Tibetan Plateau	47.05	EAR-0609756	14,111
Collaborative Research: Resolving Structural Controls of Episodic Tremor and Slip Along the Length of Cascadia	47.05	EAR-0642765	56,438
Collaborative Research: Understanding the Causes of Continental Intraplate Tectonomagmatism: A Case Study from the Pacific Northwest	47.05	EAR-0506887	13,057
Dual-Beam Incoherent Scatter Radar Study of the Mesosphere at Arecibo	47.05	ATM-0337245	15,920
Nanoscale Investigation of Microbial Role in Promoting the Smectite to Illite Transformation	47.05	EAR-0345307	32,023
Origin of Mantle heterogeneity in the Azores	47.05	EAR-0510598	64,021
Technician Support: Management of Thermal Ionization Mass Spectrometry and Isotope Geochemistry Labs	47.05	EAR-0622267	70,957
A role for neuron-founder cell interactions in patterning the Drosophila musculature	47.074	IOB-0517515	113,107
Analysis of Chromosome Cohesion in Arabidopsis	47.074	MCB-0322171	26,413
Arabidopsis Kleisin Proteins and Their Role in Meiosis and Chromosome Biology	47.074	MCB-0718191	43,208
Ballistospore Discharge: Adaptations Among Mushroom-forming Fungi	47.074	IOS-0743074	30,569
Collaborative Research: Invasion of North Temperate Forest Soils by Exotic Earthworms	47.074	DEB-0739985	35,839
Effects of Sublethal Levels of Contamination on Competition Between Anurans and on Community Structure	47.074	DEB-0717088	30,741
Evaluations of URM:ASSURE: Achieve Success in Science through Undergraduate Research Experiences	47.074	DBI 0731634	2,024
Investigation of Genes and Complex Social Behavior Under Ecologically Relevant Conditions	47.074	IOS-0614015	142,975
IRCEB: Interactive Effects of UV Radiation and Temperature on Pelagic Foodwebs	47.074	DEB-0552283	216,562
Late Tertiary Climatic Changes and Evolutionary Success of Tribe Senecioneae (Asteraceae): A Phylogenetic Approach	47.074	DEB-0542238	45,365
LTREB: Response of a reservoir ecosystem to declining nutrient and detritus subsidies	47.074	DEB-0235755	87,834
LTREB: Response of a Reservoir Ecosystem to Variable Subsidies of Nutrients and Detritus	47.074	DEB-0743192	41,896
Mechanisms of Rapid and Winter Cold-Hardening in Insects	47.074	IBN-0416720	111,515
Modulation of Hippocampal Systems During Classical Conditioning	47.074	IOB-0517575	82,732
Novel Roles of Urea in Amphibian Hibernation	47.074	IBN-0416750	87,556
Research Experiences for Undergraduates Site: Ecology in Human-Dominated Landscapes	47.074	--	14,119
Research Experiences for Undergraduates: Research in Human-Dominated Landscapes	47.074	DBI-0353915	54,699
RUI: Patterns of Biodiversity of Benthic Invertebrates in Chihuahuan Desert Springs	47.074	DEB-0717064	13,043
Shifts in wolf spider reproductive behavior under predation risk	47.074	IBN-0216947	51,291
Testing the Relative Importance of Habitat Saturation & Benefits of Philopatry	47.074	DEB-0316818	16,818
URM: ASSURE - Achieving Success in Science through Undergraduate Research Experiences	47.074	DBI-0731634	41,171
Adapting Systems Factorial Technology to Model Selection: Applications to Perception and Classification	47.075	BCS-0544688	42,454

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Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
Coordination in Small Groups: Matching and Mismatching	47.075	BCS-0744696	\$ 64,712
The Social-Behavioral Consequences of Perceptual Fluency: How Processing Ease Guides Intergroup Contact, Goal Pursuit and Behavioral Mimicry	47.075	BCS-0719694	66,186
The Social-Cognitive Origins of the Cross Race Effect	47.075	BCS-0642525	28,565
Chemistry Education Research Doctoral Scholars Program	47.076	DRL-0733642	18,858
CHEM-X: Assessing Cognitive Expectations for Learning Chemistry	47.076	DUE-0626027	17,169
Developing Leadership and Innovation in Engineering Students Through Undergraduate Courses in Applied Electromagnetics Built Upon Novel Educational Concept	47.076	DUE-0632842	67,035
Developing Leadership and innovation in engineering students through undergraduate courses in applied electromagnetics built upon novel educational concept	47.076	DUE-0632842	7,766
Evaluation and Assessment of Wild Research: A Whole-Zoo Exhibit and Inquiry Program	47.076	ESI0610409	2,155
Integrated Pedagogy to Promote Understanding of Nature of Science and Scientific Inquiry in a College Biology Laboratory	47.076	DUE0736786	52,483
Mapping the Dimensions of the Undergraduate Chemistry Laboratory: Faculty Perspectives on Curriculum, Pedagogy, and Assessment	47.076	DUE-0536776	30,011
Wild Research Grant	47.076	ESI-0610409	530,595
Collaborative Research: IPY-Plankton Dynamics in the McMurdo Dry Valley Lakes During the Transition to Polar Night	47.078	ANT0631659	19,880
Physiological and Molecular Mechanisms of Stress Tolerance in a Polar Insect	47.078	OPP-0337656	43,884
Total National Science Foundation-Direct Programs			3,404,449
Pass-Through Programs From:			
University of Cincinnati: Graduate and Undergraduate Collaboration with Australian National University for Plasmon Enhanced Nanowire Biosensors	47.041	AO8-4500028371	7,320
OSURF: Ohio Consortium for Undergraduate Research - Research Experiences to Enhance Learning E&A	47.049	CHE-05322560	31,075
OSURF: Ohio Consortium for Undergraduate Research - Research Experiences to Enhance Learning	47.049	CHE-05322560	23,171
Purdue University: Evaluation of the Center for Authentic Science Practice in Education	47.049	CHE-0418902	39,046
IRIS: Summer 2007 Undergraduate Internship Program	47.05	23-E&O	6,738
Texas A&M: Structural Studies of Leg-153 (MARK Area)	47.05	USSSP 153-20816 & 20850	865
Michigan Technological University: The Software Communication Chautauqua Series	47.07	07014521	21,125
Cornell University: Long-Term Ecological Research at the Hubbard Brook Experiment Forest	47.074	--	1,184
University of Kentucky: KY: Arabidopsis 2010: Functional Genomic Studies of mRNA Polyadenylation Related Genes	47.074	UKRE 4-67166-04-232	21,712
University of Maine: Climate-Induced Shifts in Alpine Diatom Communities: Linking Neoeocological and Paleoeocological Approaches to Incorporate Responses to Trophic Forcing	47.074	DEB-0734277	44,813
University of Chicago: The Causal Mechanisms of Stereotype Threat	47.075	BEC-0516931	43,368
City Univ of New York: Mathematics Science Partnership in New York City	47.076	40560-00-01(A)	130,543
Louisiana State University: Structural Assessment and Monitoring from Measured Spectral Data Using Wireless Sensor Network	47.076	22715	833
OSURF: Evaluation of Beyond Penguins & Polar Bears: Literacy & IPY	47.076	DRL-0733024	15,262
Sinclair Community College: Faculty Development in Automotive Hybrid Vehicle Technology	47.076	--	8,362
Sinclair Community College: Faculty Development in Automotive Hybrid Vehicle Technology Summer Institute II	47.076	--	6,199
Univ of Penn: Evaluation of the Univ of Pennsylvania Science Teacher Institute	47.076	5-4337 1-A	88,387
Total National Science Foundation-Pass-Through Programs			490,003
Total National Science Foundation			3,894,452
U.S. Environmental Protection Agency:			
Effects of Eutrophication on Mercury Biomagnification in Stream Food Webs	66.XXX	EP08D000131	7,942
Phase II: Construction and Testing of Surface Corona Discharge-Catalytic Reactor for Oxidative Treatment of Waste Gas Emissions from the Pulp and Paper Industry	66.XXX	EP07C000147	30,538
Total U.S. Environmental Protection Agency-Direct Programs			38,480
Pass-Through Programs From:			
MACTEC: Operation of the USEPA National Dry Deposition Network Station at MU	66.XXX	S68D98112-SITEOP-122	3,987
Shaw Environmental: Research at the EPA Testing and Evaluation Facility	66.XXX	EP-C-04-034	23,401
Wilson Environmental Laboratories: Critical Review of Extra-Binomial and Extra-Poisson Variation in Regards to Statistical Analysis of Data	66.XXX	S-202-B-00-03	33,511
ITCorp: Research at the US EPA Test and Evaluation Facility-Base-Op		PEI-3810	1,010
Total U.S. Environmental Protection Agency-Pass-Through Programs			61,909
Total U.S. Environmental Protection Agency			100,389
U.S. Department of Energy:			
A Biomimetic Approach to New Adsorptive Hydrogen Storage Materials	81.XXX	DE-FC36-07G017033	67,031
Technetium and Iron Biogeochemistry in Suboxic Subsurface Environments with Emphasis on the Hanford Site	81.XXX	DE-FG02-07ER64369	47,061
Defect Chemistry Study of Nitrogen Doped ZnO Thin Films	81.049	DE-FG025-07ER46389	166,738
Identification of Molecular and Cellular Responses of Desulfovibrio vulgaris biofilms under Culture Conditions Relevant to Field Conditions for Bioreduction of Heavy Metals	81.049	DE-FG02-05ER64125	273,093
Magnetic Nanoscale Physics	81.049	DE-FG02-86ER45281	68,682
Total U.S. Department of Energy-Direct Programs			622,605

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Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
Pass-Through Programs From:			
Brookhaven National Laboratory: Development of a Combinatorial Hall Effect System	81.XXX	(98560) DE-AC02-98CH10886	\$ 12,500
Total U.S. Department of Energy			<u>635,105</u>
U.S. Department of Education:			
Mademoiselle: The Biography of a Spirit in Equatorial Africa	84.019	P019A070052	35,692
ESOL MIAMI	84.195	T195N070166	136,858
Total U.S. Department of Education-Direct Programs			<u>172,550</u>
Pass-Through Programs From:			
The School Study Council of Ohio: Impact of No Child Left Behind's Highly Qualified Requirements on Special Education in Ohio	84.XXX	--	5,543
Univ of Cincinnati: Developing a Corporate Feedback System for Use in Curricular Reform	84.116	P116B040276	6,014
University of Toledo: Project AHEAD	84.206	S206A040096	268,410
Northern Ill Univ: Web-based tutoring of argument comprehension and production skills	84.305	P.O. 69961	35,226
iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities	84.336	07-24	9,283
OBOR: Evaluation of iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities 07/08	84.336	06-28	6,461
ODE: Evaluation of MU Partnership for Enhancing the Teaching of Math MU PET Math Kahle	84.336	--	30,505
ODE: Evaluation of Southwest Ohio Science Institutes, Grades 3-6	84.336	599	51,020
ODE: Evaluation of the Ohio Mathematics & Science Partnership (OMSP) Program	84.336	C1667-OMAP-08-11	114,573
Cleveland State University: Reading First Center for Professional Development	84.357	--	414
Cleveland State University: Reading First Center for Professional Development	84.357	--	32,098
Cleveland State University: Reading First-Ohio Center	84.357	--	385
ODE: Evaluation of the Ohio Mathematics and Science Partnership (OMSP) Program	84.366	599	28,264
Texas Education Agency-University of Texas: East Texas STEM Center Partnership	84.366	SC07-139081-02	44,057
Total U.S. Department of Education-Pass-Through Programs			<u>632,253</u>
Total U.S. Department of Education			<u>804,803</u>
U.S. Department of Health and Human Services:			
Spore Dispersal and Germination in Stachybotrys	93.113	1R15ES012907-01A1	41,273
Spore Release Mechanisms in Indoor Fungi	93.113	1R15ES016425-01	24,599
Use of an Amphibian Model to Evaluate the Effects of Contaminants on Development	93.113	1R15ES016435-01	3,878
The Neural Substrates of Adaptive Jaw Movement	93.121	2 R15 DE012248-03A1	12,080
Neuro-glial Interactions during the Remodeling of Adult Innervation in Drosophila	93.242	1 R15 MH077720-01	65,923
Application of the THz Spectroscopy to Biological Systems	93.286	1 R15 EB006003-01	17,864
Evaluation of Health RICH: Health Risks, Information and Choices Phase II	93.333	2R25RR016301-4	1,329
Phase II HealthRICH Health Risks, Information and Choices	93.333	2R25RR016301-04	200,182
Analyses of a Dynein Heavy Chain Mutation in Tetrahymena	93.39	1 R15 GM59855-01	51,154
ATETHEL, A Model System to Understand the Metabolic Role of ETHE1	93.39	1R15GM076199	3,656
Cortical Mechanisms of Spatial Vision	93.39	1 R15 EY 13953-01	77,683
In vivo Functions of the Drosophila Fragile X Orthologue	93.39	1 R15 GM068468-01	32,750
Ribosome-binding and translation of leaderless mRNA	93.39	1 R15 GM65120-01	53,249
Nuclear Organization During Adenovirus Infection	93.393	1R15 CA82111-01	48,066
Role of OFQ/N in Regulating the Prolactin Response to Stress	93.847	1R15DK073073-01A2	40,224
Polyphenol-protein antioxidants in the GI environment	93.848	1 R15 DK069285-01A1	44,899
Regulation of neurotrophin expression in the periphery	93.853	1 R15 NS051206-01	37,708
Gliding Motility and Cytadherence in Mycoplasma Penetrans	93.855	1R15AI073994-01A1	13,513
Study of Iron Acquisition in Acinetobacter Baumannii	93.855	1R01AI070174-01A1	160,576
Alkylammonium Formate Ionic Liquids as Mobile Phase Modifiers for Liquid Chromatography of Proteins	93.859	1 R15 GM074661-01A2	45,149
Comparison of CYP2 Genes Across Mammal Species	93.859	1 R15 GM069387-01	27,879
EPR and Solid-State NMR Studies of Integral Membrane Proteins	93.859	R01 GM080542-01 A2	229,453
Natural Antisense and RNP-4F Expression in Drosophila	93.859	1 R15 GM070802-01	15,940
Probing Zn(II) Transport in E. Coli	93.859	1 RSA GM079411-01A1	196,220
Study of the Strength of CH-Y (Y=O,N) and XH-p (X=N,O,S) Interactions	93.859	1 R15 GM069441-01A2	77,976
The Role of a New Cleavage and Polyadenylation Specificity Factor (CPSF73-II)	93.859	1R15GM077192-01A1	93,312
Using intraspecific variation to study mating systems	93.859	1 R15 GM069409-01	64,641
Determination of IGFBP-3 and -4mRNA down-regulation by HB-EGF	93.865	1R15HD050299-01A2	37,673
Effects of a Systematic Categorization Program in TBI	93.865	1 R15 HD044554-01A1	25,280
Role of the Na, K-ATPase Alpha4 Isoform in Sperm Motility	93.865	1 R15 HD050283-01A1	51,997
Steroid Involvement in OFQ/N-Induced Prolactin Secretion	93.865	1 R15 HD046479-01A1	59,658
Gene Expression and Phenotypic Consequences of Laboratory Housing in Aging Rat	93.866	1R15AG029653-01A1	6,615
Impact of Monitoring Technology on Family Caregivers	93.866	1R21AG029224-01	109,908
Racial/Ethnic Disparities in Management of Diabetes	93.866	1 R15 AG025741-01A1	83,899
Signaling Pathways During Chick Retina Regeneration	93.867	1R01EY017319-01A2	88,530
The Role of Fibroblast Growth Factors in Lens Development	93.867	EY012995-06A1	430,736
Crisis Nursing Resource Information System	93.879	1 G08 LM008307-01	11,260
Total U.S. Department of Health and Human Services-Direct Programs			<u>2,586,732</u>

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Federal Grant/Pass-Through Grant/Program Title	CFDA	Program Number	Expenditures
Pass-Through Programs From:			
Boston College: Quality Management in Cash and Counseling: Year Three	93.XXX	5000916-1	\$ 87,401
ATM Education: ATM Education (Abstinence 'til Marriage) Evaluation	93.01	--	5,583
ATM Education: ATM Education (Abstinence Til Marriage) Evaluation	93.01	--	3,677
National Association of Area Agencies on Aging: Preparing the Aging Network for AoA's Choices for Independence Initiative	93.047	--	331,147
Florida State University: Employment in the Long-Term Care Industry: The Importance of Recruitment and Retention	93.048	R00593	13,576
Ross County Health District: Abstinence Committed Education (ACE) Program of Southwest Ohio	93.11	--	1,858
Massachusetts General Hospital: Mapping Genes for Neurocognitive Endophenotypes	93.242	R01-MH068498	140,059
ODMH: Effective Practice Integration Council	93.243	L965	19,386
ODMH: Promoting Effective School Mental Health Practices in Ohio	93.243	TSIG-08-08	23,500
ODMH: Promoting Effective School Mental Health Practices in Ohio	93.243	TSIG-08-15	105,396
Children's Research Institute: A Genetic Model of Urogenital Development and Obstruction	93.849	CRI #356005	29,978
University of Pittsburgh: The Miami University RCR Faculty Development Initiative	93.854	104489-8	946
Rutgers University: Structural Genomics of Eukaryotic Domain Families	93.859	5 U54 GM074958-02	400,910
OBOR-OSURF: Establishing a Remote Instrument Control Capability in the Eminent Scholar Laboratory at Miami University	93.887	60014640	9,152
ODMH: Ohio Mental Health Network for School Success	93.958	130-CS-08-02	9,958
Total U.S. Department of Health and Human Services-Pass-Through Programs			<u>1,182,527</u>
Total U.S. Department of Health and Human Services			<u>3,769,259</u>
Total Research and Development Cluster			10,922,597
INSTRUCTIONAL			
National Aeronautics and Space Administration:			
Ohio Space Grant Consortium: Educational Liaison Staff	43.001	--	<u>2,321</u>
Institute of Museum and Library Services:			
The GREEN Teachers' Institute: Museum Resources for Teachers	45.301	ML-02-03-0603-03	1,207
The GREEN Teachers Institute: Museum Resources for Teachers	45.301	MA-02-07-0189-07	20,228
Total Institute of Museum and Library Services			<u>21,435</u>
National Science Foundation:			
The Conference on Ramsey Theory and Topological Algebra	47.049	DMS-0808634	1,540
Computer Science, Engineering and Mathematics Scholarships	47.076	DUE-0422418	74,053
Wild Research Grant	47.076	ESI-0610409	380
Total National Science Foundation			<u>75,973</u>
U.S. Department of Education:			
Geopolitical and Cultural Transitions: Russian and Eurasian Studies at Miami University	84.016	P016A050093	29,589
INTERGERO: Implementation of an International Interdisciplinary Program in Gerontology	84.116	P116J040039	46,831
First Mover to Prime Mover: A Plan for MU RTFSB to Advance into the 21st Century	84.153	P153A040005	4,338
Journey to Freedom: A History and Civics Summer Academy	84.215	U215D060005	213,286
Miami University CCampus Grant	84.334	P335A050375	67,884
Ohio Writing Project	84.928A	92-OH01	32,839
Total U.S. Department of Education-Direct Programs			<u>394,767</u>
Pass-Through Programs From:			
ODE: Alternative Route to Certification in Special Education	84.027	062984-6B-SE-07	2,504
Fairfield City Schools: America's Journey: The Quest for Freedom 1492-1836	84.215	--	287,737
Hamilton City Schools: America's Journey: The Quest for Freedom 1492-1824	84.215	475-02-03	1,688
Hamilton City Schools: The Beacon of Liberty 1492-1965	84.215	--	183,410
ODE: Southwest Ohio Science Institutes, Grades 3-6	84.33	CI667-OSCI-07-11	85,843
OBOR: Across the Curriculum Environmental Science to Attain Ohio Elementary School Academic Content Standards and Achievement Test Outcomes	84.336	06-29	207,740
OBOR: Across the Curriculum Environmental Science to Attain Ohio Elementary School Academic Content Standards and Achievement Test Outcomes	84.336	07-23	11,732
OBOR: iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities	84.336	05-18	1,957
OBOR: iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities	84.336	06-28	262,936
ODE: Miami University Partnership for Enhancing Teaching in Math	84.336	CI667-OMSP-07-20	153,409
ODE: Miami University Partnership for Enhancing the Teaching of Mathematics	84.336	--	431
ODE: Southwest Ohio Science Institutes, Grades 3-6 (SOSI)	84.336	599	272,355
Ohio Board of Regent: Advancing Ohio's Physical Science Proficiency V	84.367	06-25	284,238
Ohio Board of Regent: Advancing Ohio's Physical Science Proficiency VI	84.367	07-26	20,967
Total U.S. Department of Education-Pass-Through Programs			<u>1,776,947</u>
Total U.S. Department of Education			<u>2,171,714</u>

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U.S. Department of Health and Human Services: NHLBI: Celebrating the Science of DNA	93.172	HHSN268200700233P	<u>\$ 9,982</u>
Total Instructional			<u>2,281,425</u>
PUBLIC SERVICE			
National Endowment for the Arts: Pass-Through Programs:			
Ilkhom Theatre 'Ecstasy with the Pomegranate'	45.025	11673	10,000
Ilkhom Theatre 'Ecstasy with the Pomegranate'	45.025	FY08-20815	<u>5,000</u>
Total National Endowment for the Arts			<u>15,000</u>
U.S. Department of Education:			
NASDSE: IDEA Partnership Technical Assistance	84.XXX	2007	9,969
ODE: Mental Health for School Success	84.027	062984-6B-PB-07	<u>122,213</u>
Total U.S. Department of Education			<u>132,182</u>
U.S. Department of Health & Human Services: Drug Free Communities Support Program	93.276	1 H79 SP12988-01	<u>90,623</u>
Pass-Through Programs:			
ODMH: Mental Health, Education & Family Collaboration	93.958	130-CS-08-01	98,094
ODMH: Ohio Mental Health Network for School Success (OMHNS) - Mental Health, Education, and Family Collaboration	93.958	130-CS-08-03	6,250
ODMH: Ohio Mental Health Network for School Success 06/07	93.958	130-CD-07-01	7,652
CRP, Incorporated: 2008 Underage Drinking Prevention: Town Hall Meeting	93.959	-	367
ODADAS: MU High Risk Drinking Prevention Initiative	93.959	99-08040-MCCCO-P-07-0026	5,975
ODADAS: Oxford Coalition for a Healthy Community and MU High Risk Drinking Prevention Initiative	93.959	99-8040-CMIMCO-P-08-0026	43,088
ODADAS: Oxford Coalition for a Healthy Community and MU High Risk Drinking Prevention Initiative	93.959	99-8040-HEDUC-P-08-9726	<u>26,168</u>
Total U.S. Department of Health & Human Services-Pass-Through Programs			<u>187,594</u>
Total U.S. Department of Health & Human Services			<u>278,217</u>
Total Public Service			<u>425,399</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 24,989,926</u>

(Concluded)

MIAMI UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

1. BASIS OF ACCOUNTING

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

The dollar threshold used to distinguish between Type A and Type B Programs was \$749,698.

2. PASS-THROUGH AWARDS

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

3. FEDERAL PERKINS LOAN PROGRAM

Outstanding loans at June 30, 2008, under the Federal Perkins Loan Program were \$7,901,038. New Federal Perkins Loans of \$1,488,635 were advanced to students in 2008. The University did not receive a federal capital contribution or make a matching contribution to the Federal Perkins Loan fund in 2008. Administrative and collection costs for the Federal Perkins Loan Program were \$2,718,907 in 2008.

4. FEDERAL DIRECT STUDENT LOANS

While no amounts are listed in the schedule of expenditures of federal awards, the University also participates in the Federal Direct Student Loan Program, which includes subsidized and unsubsidized Federal Stafford Loans ("Stafford") and Federal PLUS Loans ("PLUS"). The dollar amounts are not listed in the schedule of expenditures of federal awards as the University is not the recipient of the funds. However, such programs are considered a component of student financial assistance at the University. New loans processed for students during the year ended June 30, 2008, were as follows:

Federal Direct Student Loan Program:

Stafford:	
Subsidized	\$ 27,052,860
Unsubsidized	17,844,560
PLUS	17,180,440

* * * * *

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

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of State of Ohio:

We have audited the financial statements of Miami University (the "University") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 14, 2008, which includes an emphasis of matter paragraph regarding the valuation of investments. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 reported to management of the University in a separate letter dated October 14, 2008.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

October 14, 2008

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

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of State of Ohio:

Compliance

We have audited the compliance of Miami University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the summary of auditor's 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Auditor of State of Ohio, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 14, 2008

MIAMI UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2008

Part I—Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number

Various

Name of Federal Program or Cluster Number

Research and Development Cluster

Dollar threshold used to distinguish between
Type A and Type B programs

\$749,698

Auditee qualified as low-risk auditee?

Yes No

MIAMI UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2008 (Continued)

Part II—Financial Statements Findings

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

No matters are reportable.

Part III—Federal Award Findings and Questioned Costs

Finding 2008-1: Compilation of Schedule of Expenditures of Federal Awards

Federal Program Information: U.S. Housing and Urban Development – Facilities Construction Award – 14.246

Criteria: The auditee shall prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. The SEFA shall provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition: In FY06 and FY07, Miami University incurred expenses totaling \$497,050 related to the EDI-Special Project Grant N. B-04-SP-OH-0620. These expenses were classified under a capital project fund code in the general ledger and not under a federal award grant code. In the current year, this classification issue was identified and the University reclassified all the expenses to the appropriate federal award grant code before closing the project. There were no expenses incurred for this project for the year ended June 30, 2008.

Effect: These expenses should have been reported in the prior years' SEFA as expenditures were incurred and reported to the Federal Agency as part of the grant agreement reporting requirements.

Cause: The reconciliation and recording of expenditures related to grant agreements between the subsidiary records (including grant agreements) and general ledger was not performed on a periodic basis.

Recommendation: Management should monitor the costs incurred on the projects to ensure expenses are recorded appropriately. Also reconciliation of the grant records to the SEFA and General Ledger should be performed on a periodic basis.

Views of responsible officials and planned corrective actions: Miami University was awarded a construction grant related to the EDI-Special Project Grant for a five year grant period ending June 30, 2010. Expenditures related to this grant were inadvertently charged to a university capital project fund as the work was performed. Through the existing internal control process that includes monitoring and reviewing of all grant accounts by the Grants & Contracts Office, the misclassified expenditures were identified and appropriately reclassified to the federal grant code within the grant award period. All reporting requirements were timely and in compliance with the grant agreement. Miami University will continue to closely monitor all grant accounts to ensure expenditures are properly recorded.

MIAMI UNIVERSITY

SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

2007-1: Return of Title IV Funds

Federal Program: Student Financial Aid Cluster (“SFA”) comprised of the following programs: CFDA 84.063 and Federal Direct Loan Program (CFDA 84.268)

Condition: Within our sample procedures for compliance with return of Title IV funds, 6 out of the 30 student files selected were not in compliance. The University used an improper withdrawal date to determine the amount of the Title IV funds to return to the lending institution, as required.

Current Year Status: All actions from the A-133 finding related to the processing of Return of Title IV aid were implemented as planned. Withdrawal dates in the Registrar’s Office now align with the withdrawal dates required for federal financial aid, professors are now asked to supply a last date of attendance for any student to whom the professor assigns a grade of F for a course, and staff in the Registrar’s Office and the Office of Student Financial Assistance meet each term to discuss the procedures for processing unofficial withdrawals at the end of the term.

2007-2: Suspension and Debarment

Federal Program: Department of Education comprised of the following programs: CFDA 84.336 and CFDA 84.215

Condition: Our testing of the procurement and suspension debarment compliance requirement identified that the University did not have procedures in place to ensure that the University was not transacting with vendors that were on the Federal Suspension and Debarment list.

Current Year Status: Corrective action was taken, and procedures are in place to ensure verification.

Miami University

Independent Accountants' Report on
Agreed-Upon Procedures Performed on the
Intercollegiate Athletics Department as
Required by NCAA Constitution 6.2.3.1
for the Year Ended June 30, 2008

Dr. David C. Hodge, President
Miami University
Oxford, Ohio

We have performed the procedures enumerated below, which were agreed to by Miami University (the "University") to the accounting records and internal control of the Intercollegiate Athletics Department of the University for the year ended June 30, 2008, solely to assist the University in complying with the National Collegiate Athletic Association (NCAA) Constitution 6.2.3.1. Such agreed-upon procedures constitute the minimum agreed-upon procedures specified by the 2008 NCAA Agreed-Upon Procedures Guidelines. The University's management is responsible for the University's compliance with these guidelines. Specifically, the University's management is responsible for the enclosed Statement of Revenues and Expenses of the Intercollegiate Athletics Department (the "Statement") and the Statement's compliance with those requirements (See Exhibit A). Management is also responsible for maintaining effective internal control over the University's Intercollegiate Athletics Department (the "Department") and its financial reporting. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the 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. The procedures that we performed and our findings are as follows:

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses:

1. We obtained the Statement for the year ended June 30, 2008, as prepared by management and attached to this report. We recalculated the addition of the amounts on the Statement and compared the amounts on each line on the Statement to the corresponding amounts on the reconciliation prepared by management between the University's general ledger and the amounts on the Statement. We also compared the general ledger amounts on management's reconciliation to the University's general ledger and recalculated the totals presented in the Statement. No exceptions were found as a result of these recalculations and comparisons, except for discrepancy identified under #5.
2. We compared the classifications in the Statement to the defined classification in the NCAA Constitution section 6.2.3.1. No exceptions were found as a result of this comparison.
3. We compared a random sample of transactions, comprising operating revenue receipts and expenses obtained from the operating revenues and expenses supporting schedules to supporting documentation, comprising invoices and deposit receipts provided by the University. No exceptions were found as a result of these comparisons, except for discrepancies identified under #13 and #33.
4. We compared current year actual revenue and expense amounts to prior year amounts and obtained explanations from management for any variances in excess of 20% in major revenue and

expense accounts. Each major revenue and expense account was defined as equal to or greater than 20% of the total revenue or expense amount. No fluctuations greater than 20% over prior year in major categories were noted. We were unable to compare each major revenue and expense account to budgeted estimates because the NCAA-mandated format of the statement differs from the format the University uses for budget and management purposes.

Agreed-Upon Procedures Related to Revenues:

5. **Ticket Sales** — We selected, on a random test basis, one athletic event from a list of athletic events held during the year ended June 30, 2008 provided by management. We recalculated cash receipts based upon tickets sold, complimentary tickets provided and unsold tickets and compared, on a random test basis, such to attendance figures from the ticket system. We compared the amount per ticket sales report to the amount recorded in the University's general ledger and the NCAA statement and re-calculated totals. No exceptions were found as a result of this recalculation and comparison, except for an \$890 unreconciled difference between ticket sales report and general ledger.

Management has communicated that under the guidance of the new Director of Ticket Operations, athletic ticket revenue will be reconciled after each respective season. Instead of waiting to reconcile at the end of each respective fiscal year, football, hockey and basketball revenue will be reconciled at the end of each respective sport season. This will reduce the volume of transactions to be reviewed and should eliminate discrepancies.

6. **Student Fees** — We compared student fees reported in the Statement for the year ended June 30, 2008 to student enrollment information. We obtained an understanding of the University's methodology for allocating student fees to intercollegiate athletics department and recalculated the totals. No exceptions were found as a result of these recalculations and comparisons.
7. **Guarantees** — We obtained from management a listing of the guarantee contests during the year ended June 30, 2008 and reviewed sixteen contractual agreements provided by management pertaining to revenues derived from guaranteed contests and compared the related revenues to the University's general ledger. No exceptions were found as a result of these comparisons.
8. **Contributions** — We obtained a listing of the general ledger accounts comprising contributions revenue related to intercollegiate athletics provided by management. We compared the listing of contributions revenue from the general ledger detail for the year ended June 30, 2008 to a listing of affiliated and outside organizations, agencies and groups of individuals obtained from management to identify any individual contributions from any affiliated or outside organizations, agencies, or group of individuals that constitute more than 10% of the total contributions revenue related to intercollegiate athletics for the year ended June 30, 2008. We identified no individual contributions that comprised more than 10% of the total contributions revenue related to intercollegiate athletics for the year ended June 30, 2008.
9. **Direct State or Other Governmental Support** — We compared the direct state and other governmental support recorded by the University during the year ended June 30, 2008 with institutional authorizations and deposit receipts on a random test basis and recalculated totals as part of Miami University financial statement audit. No exceptions were found as a result of these recalculations and comparisons.

10. **Direct Institutional Support** — We obtained from management a listing of all direct institutional support provided by the University during the year ended June 30, 2008, selected and compared, on a random test basis, one direct institutional revenue recorded with institutional authorizations and approved fund transfer requests and recalculated totals. No exceptions were found as a result of these recalculations and comparisons.
11. **Indirect Facilities and Administrative Support** — We obtained from management a listing of all indirect facilities and administration support provided by the University during the year ended June 30, 2008, and selected and agreed, on a random test basis, one indirect facilities and administration support with institutional authorizations and invoice payments on behalf of the athletic and recalculated totals. No exceptions were found as a result of these recalculations and comparisons.
12. **NCAA/Conference Distributions Including all Tournaments** — We obtained from management a listing of all NCAA and conference distributions and selected, on a random test basis, one receipt provided by management related to NCAA and conference distributions during the year ended June 30, 2008 and compared the related revenues to the University's general ledger. No exceptions were found as a result of this comparison.
13. **Broadcast, Television, Radio and Internet Rights** — We obtained from management an agreement related to television broadcast during the year ended June 30, 2008, and compared the agreement amount to the amount recorded in the University's general ledger and the NCAA statement. We noted based on our review of the check received that, due to the timing of the broadcast revenue received from the Mid American Conference, the amount recorded (\$30,000) in this revenue category related to fiscal year 2007, not fiscal year 2008. The Athletic department should have recorded \$10,000 in fiscal year 2008, overstating the revenue amount by \$20,000.

Management has communicated that the timing of the broadcast revenue from the MAC (Mid-American Conference) is such that the amount to be received from the MAC may not be known until after the year end cut off. If the amount is known, the actual amount will be accrued. If it is not known, an estimate will be accrued.

14. **Program Sales, Concessions, Novelty Sales and Parking** — We obtained supporting schedules from management for each of the following operating revenue line items: (a) Department sales, Concessions, Novelty Sales and Parking; and (b) Other operating revenues. We selected, on a random test basis, one operating revenue amount from among these categories and compared each revenue amount selected to supporting documentation provided by management, which included a copy of a deposit ticket and bank statement. No exceptions were found as a result of these comparisons.
15. **Royalties, Licensing, Advertisement and Sponsorships** — We obtained from management a listing of all royalties, licensing, advertisements and sponsorship revenue and selected, on a random test basis, one agreement provided by management related to the University's participation in revenues from royalties, licensing, advertisements and sponsorships during the year ended June 30, 2008 and compared the related revenues to the University's general ledger. No exceptions were found as a result of these comparisons.

16. **Sports Camp Revenues** — We obtained and read agreements related to institutional sports camps during the period ended June 30, 2008. We obtained schedules of camp participants and selected, on a random test basis, one participant cash receipt and agreed the related revenues to the University's general ledger and recalculated totals. No exceptions were found as a result of these comparisons and recalculations.
17. **Endowment and Investment Income** — We compared the allocations of the endowment and investment income from the Athletics department records to the calculations performed by the Treasury Services office. We obtained the Treasury Services office's allocation calculations for the period ended June 30, 2008, recalculated the allocation, and agreed the amount to the University's general ledger. No exceptions were found as a result of these comparisons and recalculations.
18. **Other** — We obtained from management a listing of all other revenue earned during the year ended June 30, 2008, and selected, on a random test basis, one other revenue amount from among these categories and compared each revenue amount selected to supporting documentation provided by management, which included a copy of a deposit ticket and bank statement. No exceptions were found as a result of these comparisons and recalculations.

Agreed-Upon Procedures Related to Expenses:

19. **Athletic Student Aid** — We selected, on a random test basis, twenty five students from the listing of athletic student aid recipients during the year ended June 30, 2008 provided by management and compared total University aid allocated from the related aid award letter to the student's account and recalculated totals. No exceptions were found as a result of this comparison.
20. **Guarantees** — We obtained from management a listing of the guarantee contests during the year ended June 30, 2008 and agreed eleven contractual agreements provided by management to expenses recorded by the University from guaranteed contests. We compared the related expenses to the University's general ledger. No exceptions were found as a result of these comparisons.
21. **Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities** — We obtained a listing of coaches employed by the University during the year ended June 30, 2008 from management. We selected, on a random basis, five coaches' contracts from this listing, including football, and men's and women's basketball coaches. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the statement during the reporting period. We obtained and read W-2's or 1099's for each selection. We compared and agreed W-2's or 1099's to the related coaching salaries, benefits, and bonuses paid by the University during the year ended June 30, 2008 and recalculated totals. We noted no exceptions as a result of recalculations and comparisons.
22. **Coaching Other Compensation and Benefits Paid by a Third Party** — We noted, through inquiry of management, that the University's Athletics Department did not incur any coaching salaries, benefits, and bonuses paid by a third-party for the year ended June 30, 2008.
23. **Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities** — We obtained a listing of support and administration staff employed by the University during the year ended June 30, 2008, and selected, on a random test basis, five support staff/administrative personnel employed by the University during the reporting period. We

obtained and read W-2's or 1099's for each selection. We compared and agreed related W-2's or 1099's to the related support staff/administrative salaries, benefits, and bonuses paid by the University during the year ended June 30, 2008 and recalculated totals. We noted no exceptions as a result of recalculations.

24. **Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by Third Parties** — We noted, through inquiry of management, that the University's Athletics Department did not incur any support staff/administrative other compensation and benefits paid by a third-party for the year ended June 30, 2008.
25. **Severance Payments** — We noted, through inquiry of management, that the University's Athletics Department did not incur any severance expenses for the year ended June 30, 2008.
26. **Recruiting** — We obtained and documented an understanding of the University's written recruiting expense policies and compared these policies to NCAA related policies. We obtained supporting documentation, which included a copy of the invoice and check, or credit card receipt, for 1 recruiting expense and compared and agreed the related expenses to the University's policies for the year ended June 30, 2008. No exceptions were found as a result of these comparisons.
27. **Team Travel** — We obtained an understanding of the University's Athletics department team travel expense policies and compared and agreed these policies to the NCAA-related policies. We obtained supporting documentation, which included a copy of the invoice and check, or credit card receipt, for one individual trip and compared and agreed the related expenses to the University's policies for the year ended June 30, 2008. No exceptions were found as a result of these comparisons.
28. **Indirect Facilities and Administrative Support** — We obtained an understanding of the University's methodology for allocating indirect facilities costs to different departments during the year ended June 30, 2008 and selected, on a random test basis, one payment made by University for the departmental expenditures. We summed the indirect facilities support and indirect institutional support totals reported by the University in the NCAA statement. No exceptions were found as a result of these comparisons and recalculations.
29. **Equipment, Uniforms, and Supplies; Game Expenses; Fund Raising, Marketing, and Promotion; Sports Camps; Direct Facilities Maintenance and Rental; Spirit Groups; Medical Expenses and Medical Insurance; Memberships and Dues; Other Operating Expenses** — We selected, on a random test basis, nine operating expense amounts from among these categories and compared each expense amount selected to supporting documentation provided by management, which included a copy of an invoice and check. No exceptions were found as a result of these comparisons.

Agreed-Upon Procedures Related to Internal Control of the Intercollegiate Athletics Department:

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

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our procedures and findings were as follows:

30. We obtained an understanding of the organization chart from the Deputy Director for Athletics of the Athletics Department and inquired of University management for the purpose of learning about the control environment. Management informed us of the following:
 - Standards of conduct and ethics for the Department have been established and are enforced by the following governing bodies:
 - Miami University
 - National Collegiate Athletic Association
 - Mid-American Conference
 - A staff handbook and student-athlete handbook that outline policies and procedures are available on the University's website.
 - The Intercollegiate Athletics Advisory Committee reports to the Vice President of Student Affairs and serves to ensure student-athlete welfare; advise the Vice President of Student Affairs regarding the policies and procedures associated with the Department of Intercollegiate Athletics; and to address new regulations, bylaws, and other issues as they arise.
 - Operating budgets are prepared annually. Variances are identified and investigated monthly by the Senior Associate Athletic Director, the Athletic Director, and the Vice President of Student Affairs.
31. We selected, on a random test basis, twenty five travel advances for team travel for the year ended June 30, 2008 from the University's listing of all travel advances that were approved and distributed. For the travel advances selected, we compared the disbursed amount and requestor to the corresponding information on the underlying expense receipts and authorization forms provided by management. No exceptions were found as a result of these comparisons.
32. We inquired of appropriate Department personnel as to the controls over cash received from ticket sales and other miscellaneous receipts (parking, sports camps, etc.). We observed that ROTC assists Athletic Department with selling parking tickets at football and basketball home games. We selected, on a test basis, two reconciliations of parking tickets sold and parking collections that are actually returned to Athletic Department and compared the amount collected with the amount deposited. We noted no exceptions as a result of these comparisons.

33. We selected, on a random test basis, twenty five students from the listing of athletic student aid recipients during the year ended June 30, 2008 provided by management and compared the authorization noted on the student aid forms to the University requirements. No exceptions were found as a result of these comparisons except for one control exception in the approval process of athletic aid distribution. We noted that one selection was missing a signature of the head coach on the "Athletics Grant Recommendation Form." The selection did have a signature of the athletic department management. No other exceptions were found.

Management has communicated that procedures will be put in place to ensure that the Athletic Grant Recommendations have the proper signatures. The financial aid office will require two signatures, the Athletic Department representative and the Coach, before processing Athletic Grant Recommendations. If these two signatures are not in place, the form will be returned to the Athletic office.

34. We noted through inquiry and observation that the Department has the following control procedures for disbursements:
- The Athletic Director or Business Directors and the coach initiating the purchase are required to approve purchase requisitions for all goods and services requested.
 - The Department utilizes the University's purchasing policies when ordering goods and services.
 - All Department disbursements are subject to the same controls the University has in place for preparing the University's financial statements.
35. We obtained written representations from management that to the best of their knowledge and belief all revenues and expenses related to the Department have been properly summarized on the Statement for the year ended June 30, 2008.

Agreed-Upon Procedures Related to the Notes to the Statement:

36. We obtained an understanding of the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics related assets.

The NCAA Agreed-Upon Procedures, outlining the procedures to be performed by an independent accountant regarding an institution's compliance under NCAA Bylaw 6.2.3.1, appear to indicate a required disclosure in the accountant's report of certain capital expenditures activity related to intercollegiate athletics-related assets. However, those procedures do not define the term intercollegiate athletics-related assets or the type of disclosures required when such assets are identified. The University does not currently disaggregate athletics-related assets from other University owned assets.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the elements, accounts, or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to accounts and items specified above or on the attached Statement, and does not extend to the financial statements of the University or its Intercollegiate Athletics Department, taken as a whole.

We were not engaged to, and did not, perform an examination of the University's system of internal controls over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal controls over financial reporting of the University as of June 30, 2008. Accordingly, we do not express such an opinion. We also were not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2008, and, accordingly, we express no opinion on its operating effectiveness. Had we performed additional procedures, or had we made an examination of the system of internal controls over financial reporting, other matters might have come to our attention that would have been reported to you. This report only relates to the procedures specified above and does not extend to the financial statements of the University or its Intercollegiate Athletics Department taken as a whole.

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 22, 2008

MIAMI UNIVERSITY

**INTERCOLLEGIATE ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	Men's Basketball	Men's Football	Women's Basketball	Other Sports	Non-Program Specific	2008 Total
REVENUES:						
Ticket sales	\$ 219,465	\$ 565,991	\$ 11,483	\$ 429,648	\$ -	\$ 1,226,587
Student fees	554,506	3,121,705	997,932	5,993,074	2,402,552	13,069,769
Guarantees	245,488	630,000	5,000	26,500	21,000	927,988
Contributions	73,489	80,928	33,128	368,336	410,437	966,318
Direct state or other government support		1,340	55		2,316	3,711
Direct institutional support	108,822	784,830	108,036	1,857,207	675,670	3,534,565
Indirect facilities and administrative support					57,006	57,006
NCAA/conference distributions including all tournament revenues	146,933				692,004	838,937
Broadcast, television, radio and internet rights		30,000				30,000
Program sales, concessions, novelty sales and parking	22,400	71,807	90	16,009	84,431	194,737
Royalties, licensing, advertisements and sponsorships					455,234	455,234
Sports camp revenues			340	8,081	1,149,187	1,157,608
Endowment and investment income	22,743	17,712	254	102,360	438,841	581,910
Other revenues	23,258	17,150	15,447	66,629	144,528	267,012
Total revenue	1,417,104	5,321,463	1,171,765	8,867,845	6,533,205	23,311,382
EXPENSES:						
Athletics student aid	411,502	2,584,778	363,683	4,024,325	119,826	7,504,114
Guarantees	27,500	240,000	10,000	69,301		346,801
Coaching salaries, benefits, and bonuses paid by the university and related entities	449,953	1,023,305	445,659	2,355,997		4,274,914
Support-staff/administrative salaries, benefits, and bonuses paid by the university and related entities	37,162	216,957	34,904	40,871	3,242,507	3,572,401
Recruiting	52,508	139,578	51,684	214,699	111,510	569,979
Team travel	151,593	484,632	60,739	1,102,233	89,595	1,888,792
Equipment, uniforms and supplies	30,763	207,424	24,259	290,672	198,790	751,908
Game expenses	75,584	112,249	60,055	225,386	78,231	551,505
Fund raising, marketing and promotion	2,764	17,202	3,621	7,089	246,738	277,414
Sports camp expenses				57	1,094,928	1,094,985
Direct facilities, maintenance and rental	34,432	90,570	27,439	71,098	133,691	357,230
Spirit groups					52,018	52,018
Indirect facilities and administrative support					57,006	57,006
Medical expenses and medical insurance	6,798	35,551	4,651	97,753	21,677	166,430
Memberships and dues	1,855		2,461	17,912	210,654	232,882
Other operating expenses	134,690	169,217	82,610	350,452	885,699	1,622,668
Total expenses	1,417,104	5,321,463	1,171,765	8,867,845	6,542,869	23,321,046
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ (9,664)	\$ (9,664)

MIAMI UNIVERSITY

INTERCOLLEGIATE ATHLETICS DEPARTMENT NOTES TO STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2008

1. BASIS OF PRESENTATION

The accompanying Statement of Revenues and Expenses of the Intercollegiate Athletics Department of Miami University (the "Statement") has been prepared in accordance with the 1996 Financial Audit Guidelines established by the National Collegiate Athletic Association, as amended, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The purpose of the Statement is to present a summary of revenues and expenses of the Intercollegiate Athletics Department of Miami University (the "Department") for the year ended June 30, 2008 on the accrual basis. Revenues are recorded when earned. Expenses are recorded in the period in which the related liability is incurred. Because the Statement presents only a selected portion of the activities of Miami University (the "University"), it is not intended to and does not present the financial position, changes in net assets or revenues and expenses for the year then ended for the University as a whole.

The amounts in the accompanying statement of revenues and expenditures were obtained from Miami University's (the "University") trial balance, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed as such, except compensation and benefits paid by third parties and severance payments, which were not applicable. 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 men's baseball, men's golf, men's ice hockey, men's swimming, men's track and cross country, women's field hockey, women's soccer, women's softball, women's swimming, women's tennis, women's track and cross country, women's volleyball, and women's skating.

3. CONTRIBUTIONS

In accordance with the provisions of Statement of Financial Accounting Standards No. 116, which the University follows, contributions are classified as unrestricted, restricted expendable, or restricted nonexpendable dependent upon any donor-imposed restrictions. Contribution revenue included in the statement of revenues and expenditures represent contributions given to the University's Intercollegiate Athletics Department based on donor's instructions.

There were no individual contributions in excess of 10 percent of all contributions received for the Intercollegiate Athletics Department for the year ended June 30, 2008.

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

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. Land and collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings, 25 years for infrastructure, library books, and land improvements, 20 years for improvements to buildings, and 5 to 7 years for equipment, vehicles, and furniture. The University's capitalization threshold is the lower of 5 percent of the original building cost or \$100,000 for building renovations and \$1,200 for all other capitalized items. The University does not segregate athletics-related assets from other assets held by the University and therefore depreciation expense is not reflected in the statement of revenues and expenditures.

* * * * *

WMUB Radio

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

Financial Statements for the
Years Ended June 30, 2008, and 2007,
and Independent Auditors' Report

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

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of Miami University
and Mary Taylor, Auditor of State of Ohio:

We have audited the accompanying financial statements of the business-type activities of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") as of and for the years ended June 30, 2008, and 2007. These financial statements are the responsibility of the management of the Station. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of Miami University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Miami University as of June 30, 2008, and 2007, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Station, as of June 30, 2008, and 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the Station's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2008 on our consideration of the Station's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



November 25, 2008

WMUB RADIO

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Introduction

The following discussion and analysis provides an overview of the financial position and activities of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") for the years ended June 30, 2008, and 2007. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared by and are the responsibility of Station management.

Using the Financial Statements

The Station's annual report contains three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

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

Financial Highlights

Fiscal Year 2008

Overall, the Station's financial position remained relatively strong at June 30, 2008, with total assets of \$817,563 (down from 2007). In local sources, revenue from Membership and Underwriting both increased, because of additional explanatory and fundraising letters to members, and continuity in the underwriting representative position. These local increases partially offset a third year of declines in Miami University support.

Fiscal Year 2007

Overall, the Station's financial position remained strong at June 30, 2007, with total assets of \$845,870 (slightly down from 2006). In local sources, revenue from Membership increased significantly and Underwriting also saw an increase, because of additional explanatory and fundraising letters to members, and continuity in the underwriting representative position. These local increases helped offset a second year of declines in Miami University support.

Statement of Net Assets

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

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

Assets	2008	2007	2006
Current assets	\$ 526,722	\$ 505,022	\$ 462,262
Capital assets—net	<u>290,841</u>	<u>340,848</u>	<u>396,926</u>
Total assets	<u>\$ 817,563</u>	<u>\$ 845,870</u>	<u>\$ 859,188</u>
Net Assets			
Invested in capital assets	\$ 290,841	\$ 340,848	\$ 396,926
Unrestricted net assets	<u>526,722</u>	<u>505,022</u>	<u>462,262</u>
Total net assets	<u>\$ 817,563</u>	<u>\$ 845,870</u>	<u>\$ 859,188</u>

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets present the Station's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or nonoperating. Operating revenue is generated by grants from the Corporation for Public Broadcasting and the State of Ohio. Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Station. Nonoperating revenues are received without an exchange for goods and services. Nonoperating revenues include an appropriation of donated facilities, administrative support from its licensee, Miami University, membership revenue, and contributions from area businesses (program underwriting).

	2008	2007	2006
Operating revenues	\$ 270,748	\$ 339,582	\$ 331,485
Nonoperating revenues	<u>1,488,878</u>	<u>1,377,959</u>	<u>1,377,526</u>
 Total revenues	 <u>1,759,626</u>	 <u>1,717,541</u>	 <u>1,709,011</u>
 Operating expenses	 <u>1,787,933</u>	 <u>1,730,859</u>	 <u>1,702,476</u>
 Total expenses	 <u>1,787,933</u>	 <u>1,730,859</u>	 <u>1,702,476</u>
 Increase (Decrease) in net assets	 <u>\$ (28,307)</u>	 <u>\$ (13,318)</u>	 <u>\$ 6,535</u>

Statement of Cash Flows

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

	2008	2007	2006
Net cash used for operating activities	\$ (1,114,373)	\$ (999,373)	\$ (973,329)
Net cash provided by noncapital financing activities	1,136,073	1,042,133	1,036,009
Net cash used for capital and related financing	<u>0</u>	<u>0</u>	<u>(9,700)</u>
 Net increase in cash equivalents	 21,700	 42,760	 52,980
 Cash equivalents at beginning of year	 <u>505,022</u>	 <u>462,262</u>	 <u>409,282</u>
 Cash equivalents at end of year	 <u>\$ 526,722</u>	 <u>\$ 505,022</u>	 <u>\$ 462,262</u>

Economic Factors That Will Affect the Future

Station management believes that fiscal year 2008 proved to be much as predicted a year earlier, with modest increases in revenue from membership and underwriting. Membership revenue was at or slightly above national benchmarks for stations in our size market, but underwriting, while moving upward, is still below the national median due in part to the complicated geography of our listening area. The future outlook suggests difficult choices that lie ahead. Miami University support was significantly downward moving from fiscal 2008 to 2009, reflecting the loss of four half-time graduate assistants from the station's operation. Economic uncertainties in the latter half of calendar 2008 appear to have affected both membership and underwriting negatively, and Miami has also signaled a period of cost cutting for its divisions. Both trends suggest that further strains on the budget lie ahead. WMUB will carefully evaluate options for both cost-saving and revenue enhancement as we move through fiscal 2009.

On the positive side, WMUB has made progress in developing the role of major gift fundraising. This is expected to be a priority in fiscal 2009 and beyond, and the station is investing in developing that capacity. There is also hopeful news concerning signal and audience. While the primary population base for WMUB's main channel is limited by the signal area assigned by the Federal Communications Commission, WMUB has received approval to construct three new facilities: a low-power translator in Sharonville (northern Cincinnati), and full-power repeaters in Greenville, Ohio and Rushville, Indiana. WMUB also received a Department of Commerce grant to fund 75% of the cost of these capital projects. All are expected to increase audience and, ultimately, fundraising capacity, in future years.

As was the case a year ago, the next two or three fiscal years will present challenges to the budget. The Station will maintain a close watch over internal and external resources in order to maintain or improve its current economic condition.

Tolliver C. Callison, III
General Manager, WMUB

WMUB RADIO

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

STATEMENTS OF NET ASSETS JUNE 30, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS—		
Net accounts receivable from Miami University	\$ 526,722	\$ 505,022
NONCURRENT ASSETS—		
Capital assets, net of \$814,167 and \$767,877 in accumulated depreciation for 2008 and 2007, respectively	<u>290,841</u>	<u>340,848</u>
TOTAL	<u>\$ 817,563</u>	<u>\$ 845,870</u>
NET ASSETS		
INVESTED IN CAPITAL ASSETS	\$ 290,841	\$ 340,848
UNRESTRICTED NET ASSETS	<u>526,722</u>	<u>505,022</u>
TOTAL	<u>\$ 817,563</u>	<u>\$ 845,870</u>

See notes to financial statements.

WMUB RADIO

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Corporation for Public Broadcasting Grant	\$ 153,900	\$ 157,271
In-kind contributions—Ohio Educational Telecommunications	82,754	147,250
Ohio Educational Telecommunications ("OET") Grant	34,094	35,061
Total operating revenues	<u>270,748</u>	<u>339,582</u>
OPERATING EXPENSES:		
Program services:		
Programming and production	786,239	831,052
Broadcasting	140,422	94,452
Program information	73,728	57,069
Total program services	<u>1,000,389</u>	<u>982,573</u>
Supporting services:		
Administrative support	352,805	335,826
Management and general	270,931	252,822
Fund raising	73,559	64,325
Underwriting	40,242	39,235
Depreciation	50,007	56,078
Total supporting services	<u>787,544</u>	<u>748,286</u>
Total operating expenses	<u>1,787,933</u>	<u>1,730,859</u>
NET OPERATING LOSS	<u>(1,517,185)</u>	<u>(1,391,277)</u>
NONOPERATING REVENUES:		
Appropriation from Miami University	725,875	652,732
Donated facilities and administrative support	352,805	335,826
Membership revenue	291,518	282,121
Business and underwriting support	101,827	82,657
Net revenue from special fund raising activity	1,783	232
Foundations and nonprofits	11,023	12,292
Passive income	2,160	263
Other	1,887	11,836
Total nonoperating revenues	<u>1,488,878</u>	<u>1,377,959</u>
DECREASE IN NET ASSETS	(28,307)	(13,318)
NET ASSETS—Beginning of year	<u>845,870</u>	<u>859,188</u>
NET ASSETS—End of year	<u>\$ 817,563</u>	<u>\$ 845,870</u>

See notes to financial statements.

WMUB RADIO

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Corporation for Public Broadcasting Grant	\$ 153,900	\$ 157,271
Receipts from Ohio Educational Telecommunications Grant	34,094	35,061
Payments for programming and production	(703,485)	(683,802)
Payments for broadcasting	(140,422)	(94,452)
Payments for program information	(73,728)	(57,069)
Payments for management and general	(270,931)	(252,822)
Payments for fund raising	(73,559)	(64,325)
Payments for underwriting	(40,242)	(39,235)
Net cash used for operating activities	<u>(1,114,373)</u>	<u>(999,373)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Appropriation from Miami University	725,875	652,732
Membership revenue	291,518	282,121
Business and underwriting support	101,827	82,657
Foundations and nonprofits	11,023	12,292
Net revenue from special fundraising activities	1,783	232
Passive income	2,160	263
Other	1,887	11,836
Net cash provided by noncapital financing activities	<u>1,136,073</u>	<u>1,042,133</u>
NET INCREASE IN CASH EQUIVALENTS	21,700	42,760
CASH EQUIVALENTS:		
Beginning of year	<u>505,022</u>	<u>462,262</u>
End of year	<u>\$ 526,722</u>	<u>\$ 505,022</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Net operating loss per statements of revenues, expenses and changes in net assets	\$ (1,517,185)	\$ (1,391,277)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	50,007	56,078
Donated facilities and administrative support	<u>352,805</u>	<u>335,826</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (1,114,373)</u>	<u>\$ (999,373)</u>

See notes to financial statements.

WMUB RADIO

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

2. CAPITAL ASSETS

The capital assets and accumulated depreciation as of June 30, 2008 and 2007 are summarized as follows:

	2008			June 30, 2008 Ending Balance
	July 1, 2007 Beginning Balance	Additions	Retirements	
Capital assets:				
Building, antenna and tower	\$ 330,386	\$ 0	\$ 0	\$ 330,386
Studio and broadcast equipment	<u>778,339</u>	<u>0</u>	<u>(3,717)</u>	<u>774,622</u>
Total capital assets	1,108,725	0	(3,717)	1,105,008
Less: accumulated depreciation	<u>767,877</u>	<u>50,007</u>	<u>(3,717)</u>	<u>814,167</u>
Capital assets—net	<u>\$ 340,848</u>	<u>\$ (50,007)</u>	<u>\$ 0</u>	<u>\$ 290,841</u>

	2007			June 30, 2007 Ending Balance
	July 1, 2006 Beginning Balance	Additions	Retirements	
Capital assets:				
Building, antenna and tower	\$ 330,386	\$ 0	\$ 0	\$ 330,386
Studio and broadcast equipment	<u>793,338</u>	<u>0</u>	<u>(14,999)</u>	<u>778,339</u>
Total capital assets	1,123,724	0	(14,999)	1,108,725
Less: accumulated depreciation	<u>726,798</u>	<u>56,078</u>	<u>(14,999)</u>	<u>767,877</u>
Capital assets—net	<u>\$ 396,926</u>	<u>\$ (56,078)</u>	<u>\$ 0</u>	<u>\$ 340,848</u>

3. INCOME TAXES

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

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

President and Board of Trustees of Miami University
and Mary Taylor, Auditor of State of Ohio:

We have audited the financial statements of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. 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 Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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



November 25, 2008



Mary Taylor, CPA
Auditor of State

MIAMI UNIVERSITY

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2009**