

# ***Miami University***

*Financial Statements for the Years Ended  
June 30, 2006 and 2005 and Single Audit  
Reports for the Year Ended June 30, 2006*





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Miami University, Butler County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 6, 2007

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# MIAMI UNIVERSITY

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Miami University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit, as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and 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 audits.

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 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 University'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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Miami University, and its discretely presented component unit, as of June 30, 2006 and 2005, and the changes in net assets and cash flows where applicable 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 2-9 is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board ("GASB"). This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 6, 2006

# **Management's Discussion and Analysis**

## **June 30, 2006**

### **Introduction**

The following discussion and analysis provides an overview of the financial position and activities of Miami University for the year ended June 30, 2006. This discussion should be read in conjunction with the accompanying financial statements and footnotes.

The university's annual report consists of this Management Discussion and Analysis, the Statement of Net Assets, the Statement of Revenues, Expenses and Other 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 statements, footnotes and this discussion have been prepared by and are the responsibility of university management.

### **Financial Highlights**

Overall the university's financial position remained strong at June 30, 2006, with total assets of \$933.0 million and liabilities totaling \$246.4 million. Significant financial events during fiscal year 2006 were:

- Most of the proceeds from the previous year's bond sale were utilized for planned capital projects (see the Capital Assets and Debt Administration section for more information). This activity resulted in a reduction of current investments and an increase in capital assets.
- Long-term investments increased in value due to favorable market conditions and sound investment strategies (see the Investment Report included in this report).
- The state imposed a limit on tuition increases of \$500 or 5.5 percent for the Oxford campus and 6.0 percent for the regional campuses. In addition, the state's support of instruction decreased another \$1.3 million.
- Despite a record number of applications, the fall 2005 first-year class enrollment on the Oxford campus was approximately 200 students below projections.

### **Statement of Net Assets**

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

Net assets are 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.

	2006	2005	2004
<b>Assets</b>			
Current assets	\$ 225,231,749	\$ 277,758,691	\$ 249,611,708
Capital assets, net	567,226,107	490,500,319	409,022,876
Long Term Investments	134,548,244	116,291,053	111,278,979
Other assets	5,994,643	6,711,317	7,383,225
<b>Total assets</b>	<b>\$ 933,000,743</b>	<b>\$ 891,261,380</b>	<b>\$ 777,296,788</b>
<b>Liabilities</b>			
Current liabilities	\$ 68,887,696	\$ 67,694,711	\$ 59,463,730
Noncurrent Liabilities	177,475,384	184,064,308	105,147,848
<b>Total liabilities</b>	<b>\$ 246,363,080</b>	<b>\$ 251,759,019</b>	<b>\$ 164,611,578</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 409,065,088	\$ 375,800,232	\$ 352,501,735
Restricted net assets – nonexpendable	74,225,818	64,924,473	59,179,274
Restricted net assets – expendable	36,091,764	36,728,179	36,550,402
Unrestricted net assets – allocated	160,942,047	153,996,470	155,080,664
Unrestricted net assets - unallocated	6,312,946	8,053,007	9,373,135
<b>Total net assets</b>	<b>\$ 686,637,663</b>	<b>\$ 639,502,361</b>	<b>\$ 612,685,210</b>
<b>Total liabilities and net assets</b>	<b>\$ 933,000,743</b>	<b>\$ 891,261,380</b>	<b>\$ 777,296,788</b>

### *Fiscal Year 2006*

Total assets of the institution increased 4.7 percent or \$41.7 million in fiscal year 2006. The decrease in current assets was primarily a result of spending the bond proceeds, which were previously invested in short-term instruments, on capital building projects. This was offset by an increase in state appropriations receivable for state funded capital projects.

Total liabilities of the institution decreased 2.1 percent or \$5.4 million, which was primarily a result of the repayment of outstanding bonds payable. Current liabilities and other long-term liabilities remained relatively unchanged.

The increase in net capital assets, which is a result of the renovation, rehabilitation or purchase of new capital assets and accumulated depreciation, was the principal reason for the \$47.1 million increase in total net assets. The \$9.3 million increase in nonexpendable restricted net assets was a result of new gifts and an increase in the endowment fund corpus. Finally, there was a relatively small increase in unrestricted net assets predominantly due to an increase in the corpus of the quasi-endowment fund.

### *Fiscal Year 2005*

Total assets increased \$114.0 million while total liabilities increased \$87.1 million. The increase in assets was primarily a result of investing bond proceeds into short-term investment instruments as well as an increase in net capital assets from the capitalization of construction projects. The increase in outstanding debt was a result of the issuance of \$98.5 million in Series 2005 general receipts bonds. Overall, net assets increased \$26.8 million in fiscal year 2005.

## **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.

Total revenues of the institution from all sources were just under \$500 million in fiscal year 2006. Approximately 67 percent of revenues were classified as operating and 28 percent were classified as non-operating revenues.

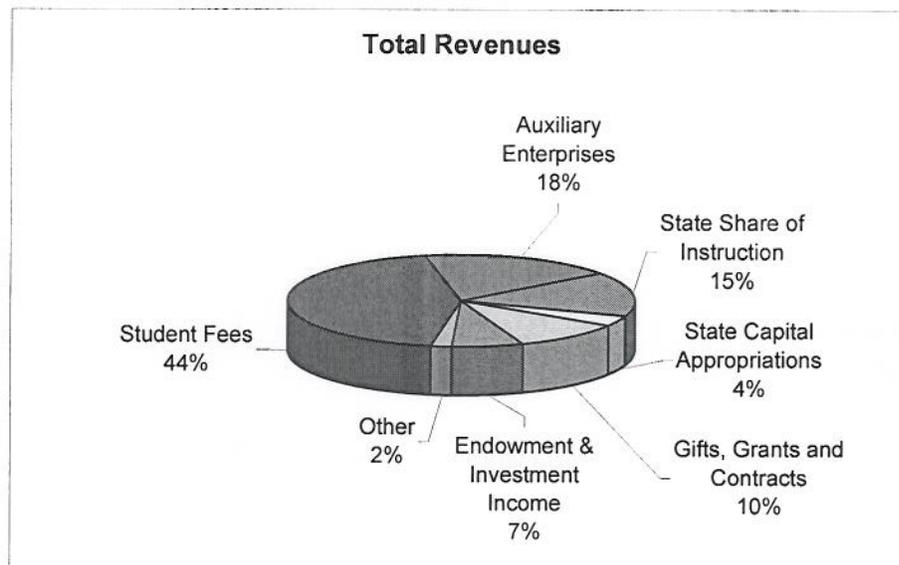
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	2006	2005	2004
Operating revenues	\$ 333,666,944	\$ 306,904,718	\$ 282,442,704
Non-operating revenues	140,119,742	129,964,540	138,549,968
Other revenues	24,839,121	11,384,138	17,717,124

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<b>Total revenues</b>	<b>\$ 498,625,807</b>	<b>\$ 448,253,396</b>	<b>\$ 438,709,796</b>
Operating expenses	(446,712,141)	(418,026,119)	(391,138,910)
Non-operating expenses	(4,778,364)	(3,410,126)	(2,500,377)
<b>Total expenses</b>	<b>(451,490,505)</b>	<b>(421,436,245)</b>	<b>(393,639,287)</b>
<b>Increase in net assets</b>	<b>\$ 47,135,302</b>	<b>\$ 26,817,151</b>	<b>\$ 45,070,509</b>

The university has a diversified revenue base, as shown in the accompanying chart. Student tuition and fees constitute 44 percent of revenues, while an additional 18 percent comes from auxiliary enterprises such as residence and dining halls, several student recreational facilities, and the bookstore. The share of instruction provided by the state of Ohio continues its long-term downward trend and now accounts for 15 percent of total revenues. Gifts, grants and contracts, and endowment and investment income have become an increasingly important source of revenues for the institution.



The sources of increases in net assets are analyzed in the following table. While the fundamental operations of the university are operated at a non-profit, break-even level, the major sources of the institution's financial stability are non-operating gift revenue and endowment income.

	2006	2005	2004
Net results of Oxford unrestricted educational and general activities	(1,929,913)	19,918	86,834
Net results of regional campus unrestricted educational and general activities	5,207	4,601	28,803
Net results of unrestricted auxiliary operations	184,644	(1,344,647)	(696,230)
Gifts for endowment and other non-current assets	22,288,717	16,431,353	16,789,297
Investment income on endowment and other non-current assets	15,216,416	10,211,522	17,330,567
State capital appropriation	17,702,121	7,987,143	13,322,718
Interest on debt	(4,690,510)	(3,373,083)	(2,268,808)
Other changes in net assets	(1,641,380)	(3,119,656)	477,328
<b>Increase in net assets</b>	<b>\$ 47,135,302</b>	<b>\$ 26,817,151</b>	<b>\$ 45,070,509</b>

#### *Fiscal Year 2006*

Operating revenues increased by 8.7 percent or \$26.8 million in fiscal year 2006. This increase was primarily a result of an increase in the Oxford campus student tuition and fee of 5.5 percent, and an 8.5 percent increase in room and board rates. Student tuition and fees at the regional campuses increased 6.0 percent.

Most of the increase in net assets was attributable to non-operating revenues: a \$10.1 million increase in net investment income, partially offset by a \$1.3 million decrease in state support for instruction and other educational programs. In other revenues, the state capital appropriation increased by \$9.7 million. This variation was a result of timing and the completion of several capital projects and was not a result of an increase in state funding for capital purposes.

Operating expenses increased by 6.9 percent or \$28.7 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, and higher utility costs.

#### *Fiscal Year 2005*

Operating revenue increased by \$24.5 million primarily due to an increase in the Oxford campus student tuition and fee rate of 8.5 percent, a 4.9 percent increase in room and board rates, and a regional campus tuition increase of 9.9 percent. Operating expenses increased by \$26.9 million, primarily due to a 3.0 percent average increase in employee salaries, increases in employee benefit costs such as health care insurance, and an increase in institutional financial aid awards.

The decrease in non-operating revenues was primarily due to a \$7.8 million decrease in net investment income and a \$1.9 million decrease in state support for instruction and other educational programs. The decrease in state capital appropriations of \$5.3 million was reported under the other revenue 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 share of instruction as well as gift revenues), capital and related financing activities (which includes debt activity), and investing activities.

	2006	2005	2004
Net cash used for operating activities	\$ (89,186,216)	\$ (81,164,732)	\$ (80,257,908)
Net cash provided by noncapital financing activities	107,401,367	106,684,284	104,937,124
Net cash provided by/(used for) capital and related financing activities	(97,223,686)	(15,209,232)	16,061,093
Net cash provided by/(used for) investing activities	72,143,063	(12,868,211)	(46,523,720)
<b>Net decrease in cash</b>	<b>\$ (6,865,472)</b>	<b>\$ (2,557,891)</b>	<b>\$ (5,783,411)</b>
Cash and cash equivalents at beginning of year	28,146,697	30,704,588	36,487,999
<b>Cash and cash equivalents at end of year</b>	<b>\$ 21,281,225</b>	<b>\$ 28,146,697</b>	<b>\$ 30,704,588</b>

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

## **Capital Assets and Debt Administration**

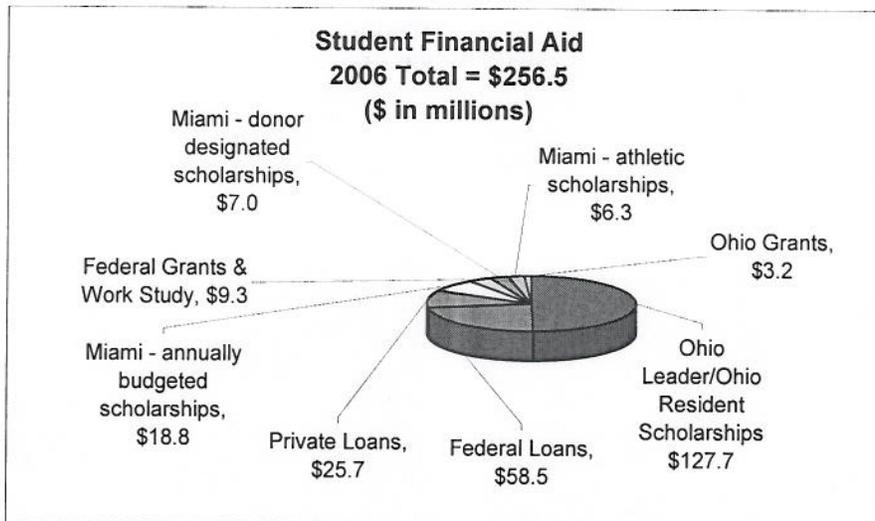
During fiscal year 2006, the university had several construction projects in progress and nearing completion. These projects are funded by a combination of bond proceeds, state capital appropriations, gifts, and local funding. The bond proceeds were generated from an issue of \$98.5 million in General Receipts Revenue and Refunding bonds in fiscal year 2005. Major projects include construction of a new psychology and research support building, school of engineering and applied science building, Goggin ice center, and a parking structure, as well as renovation projects at McGuffey Hall and the Yager Athletic Complex. See footnote 4 for additional information concerning capital assets and accumulated depreciation.

The university did not issue any new debt in fiscal year 2006, nor were there significant changes in outstanding capital leases. 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**

By continuing the successful student financial aid programs of the past and creatively adding new programs in the future, the university is taking significant steps toward the university goal of making Miami University more accessible to a broad range of academically qualified students. Examples of such programs include:

- President David Hodge announced the new Miami Access Initiative program in his August 18, 2006, State of the University address. This program will cover tuition and fees for any Ohio resident with a family income of less than \$35,000 who enters the Oxford campus as a first-time, full-time freshman or who attends one of the regional campus and then relocates to Oxford. The program is made possible by a generous gift from Lois K. Klawon, a Miami University alumnus.
- The fall of 2005 represented the third year of success for Miami University's new tuition and scholarship plan by awarding over \$127 million in scholarships to Ohio students. This program continues to achieve its goals of (1) making a Miami education more affordable for low and middle income Ohioans, (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.
- The university is working with 25 Ohio rural schools to offer scholarships to the students that demonstrate financial need.



During fiscal year 2006, the university's state share of instruction declined by \$1.3 million. This followed declines in subsidy of \$1.9 million in 2005, a \$0.3 million in 2004, and a \$2.7 million in 2003. Although the total state support for higher education remains relatively unchanged for fiscal year 2007, Miami University's allocation will decrease by approximately \$2.2 million due to state formulas that allocate more funds to other Ohio universities that experienced increased enrollments.

In April 2005, the university launched the public phase of a major capital campaign, *For Love and Honor*, with a goal of \$350 million to be raised by December 2007. Recently the university extended the campaign until 2009, to coincide with the university's bicentennial anniversary year, and increased the goal to \$500 million. As of September 2006, the campaign has recorded almost \$234 million in commitments. The campaign priorities will bring much needed support for scholarships, instructional programs, and capital projects, and represent an important building block for the university's financial future.

The university plans to issue approximately \$80-90 million in revenue bonds in winter or spring of 2007. The proceeds from the bond sale are expected to be used to construct a new Richard T. Farmer School of Business building, construct a new parking facility, renovate Benton Hall, install pollution control devices at the steam plant, and construct a new learning center on the Voice of America property site.

Although Miami University continues to maintain its strong financial position, the prolonged decreases in state support together with the state imposed fee cap caused the university to use just under \$2 million in reserves to offset the 2006 deficit in the Oxford campus operations. The university continues to explore new and innovative ways to hold down operating costs in areas such as health care and utilities; some of these cost containment programs include an employee wellness program, more energy-efficient utility equipment and fuel sources, and employing technological solutions to increase staff efficiency. Despite the challenges presented for public institutions in the state of Ohio, Miami University looks forward optimistically toward continuing to fulfill its public mission by leveraging its sense of financial discipline and its strong financial and human resources base.

**Miami University**  
**Statement of Net Assets**  
**June 30, 2006 and 2005**

	<u>Miami University</u>		<u>University Foundation</u>	
	2006	2005	2006	2005
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 21,281,225	\$ 28,146,697	\$ 3,276,104	\$ 5,637,174
Investments (includes \$10.3 million at June 30, 2006 and \$64.5 million at June 30, 2005 of bond proceeds)	164,774,022	220,529,408	0	0
Accounts, pledges and notes receivable, net	34,685,880	25,178,881	13,193,497	588,307
Inventories	3,358,438	3,213,386	0	0
Prepaid expenses and deferred charges	1,132,184	690,319	0	0
Total current assets	<u>225,231,749</u>	<u>277,758,691</u>	<u>16,469,601</u>	<u>6,225,481</u>
<b>NONCURRENT ASSETS</b>				
Restricted cash and cash equivalents	0	0	7,852,030	1,704,096
Investments	134,548,244	116,291,053	191,035,277	164,672,798
Pledges and notes receivable, net	5,994,643	6,711,317	40,709,283	45,773,326
Capital assets, net	567,226,107	490,500,319	0	0
Total noncurrent assets	<u>707,768,994</u>	<u>613,502,689</u>	<u>239,596,590</u>	<u>212,150,220</u>
Total assets	<u>\$ 933,000,743</u>	<u>\$ 891,261,380</u>	<u>\$ 256,066,191</u>	<u>\$ 218,375,701</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 24,193,939	\$ 21,497,629	\$ 7,430,041	\$ 5,689,432
Accrued salaries and wages	15,910,589	16,025,124	0	0
Accrued compensated absences	1,021,926	867,611	0	0
Deferred revenue	12,004,731	12,167,332	0	0
Deposits	7,992,594	7,865,634	0	0
Long term debt - current portion	7,763,917	9,271,381	0	0
Other current liabilities	0	0	828,292	844,298
Total current liabilities	<u>68,887,696</u>	<u>67,694,711</u>	<u>8,258,333</u>	<u>6,533,730</u>
<b>NONCURRENT LIABILITIES</b>				
Accrued compensated absences	12,607,926	11,527,566	0	0
Bonds payable	155,735,018	163,311,821	0	0
Note payable	2,002,883	2,061,531	0	0
Capital leases payable	639,135	741,220	0	0
Federal Perkins loan program	6,490,422	6,422,170	0	0
Other noncurrent liabilities	0	0	13,294,801	6,270,064
Total noncurrent liabilities	<u>177,475,384</u>	<u>184,064,308</u>	<u>13,294,801</u>	<u>6,270,064</u>
Total liabilities	<u>246,363,080</u>	<u>251,759,019</u>	<u>21,553,134</u>	<u>12,803,794</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	409,065,088	375,800,232	0	0
Restricted net assets				
Nonexpendable	74,225,818	64,924,473	142,255,179	126,944,522
Expendable	36,091,764	36,728,179	91,154,566	77,718,175
Unrestricted net assets	<u>167,254,993</u>	<u>162,049,477</u>	<u>1,103,312</u>	<u>909,210</u>
Total net assets	<u>686,637,663</u>	<u>639,502,361</u>	<u>234,513,057</u>	<u>205,571,907</u>
Total liabilities and net assets	<u>\$ 933,000,743</u>	<u>\$ 891,261,380</u>	<u>\$ 256,066,191</u>	<u>\$ 218,375,701</u>

See accompanying notes to financial statements.

**Miami University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Year ended June 30, 2006 and 2005**

	Miami University		University Foundation	
	2006	2005	2006	2005
<b>OPERATING REVENUES</b>				
Tuition, fees, and other student charges	\$ 373,854,502	\$ 342,776,989	\$ 0	\$ 0
Less Ohio Leader and Ohio Resident Scholarships	(127,743,557)	(117,814,899)	0	0
Less allowance for student scholarships	(27,042,712)	(24,926,914)	0	0
Net tuition, fees, and other student charges	<u>219,068,233</u>	<u>200,035,176</u>	<u>0</u>	<u>0</u>
Sales and services of auxiliary enterprises	93,234,987	88,953,032	0	0
Less allowance for student scholarships	(3,003,376)	(2,670,285)	0	0
Net sales and services of auxiliary enterprises	<u>90,231,611</u>	<u>86,282,747</u>	<u>0</u>	<u>0</u>
Federal contracts	12,396,944	10,171,861	0	0
Gifts	0	0	10,587,945	32,356,493
Sales and services of educational activities	5,482,811	4,445,800	0	0
Private contracts	1,840,996	1,703,331	0	0
State contracts	1,456,566	1,011,354	0	0
Local contracts	283,497	146,890	0	0
Other	2,906,286	3,107,559	0	0
Total operating revenues	<u>333,666,944</u>	<u>306,904,718</u>	<u>10,587,945</u>	<u>32,356,493</u>
<b>OPERATING EXPENSES</b>				
Education and general:				
Instruction and departmental research	160,128,490	151,149,210	0	0
Separately budgeted research	11,623,399	9,489,280	0	0
Public service	2,907,744	2,007,009	0	0
Academic support	49,274,882	33,433,139	0	0
Student services	21,045,421	22,536,592	0	0
Institutional support	37,077,682	37,454,236	0	0
Operation and maintenance of plant	32,477,264	27,795,950	0	0
Scholarships and fellowships	10,723,327	10,753,826	0	0
Auxiliary enterprises	91,512,419	91,682,200	0	0
Depreciation	26,073,751	27,762,912	0	0
Other	3,867,762	3,961,765	250,000	175,144
Total operating expenses	<u>446,712,141</u>	<u>418,026,119</u>	<u>250,000</u>	<u>175,144</u>
Net operating gain (loss)	<u>(113,045,197)</u>	<u>(111,121,401)</u>	<u>10,337,945</u>	<u>32,181,349</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State share of instruction	76,863,620	78,154,406	0	0
Gifts, including \$12,084,910 in FY06 and \$6,384,876 in FY05 from the University Foundation	17,559,552	15,804,694	0	0
Federal grants	9,125,046	8,729,185	0	0
Net investment income (loss), net of investment expense of \$1,416,822 for University and \$864,240 for the Foundation in FY06 and \$1,255,989 for University and \$839,760 for the Foundation in FY05	33,784,078	23,707,448	20,566,551	12,689,572
State grants	1,907,725	2,197,627	0	0
Interest on debt	(4,690,510)	(3,373,083)	0	0
Payments to Miami University	0	0	(12,084,910)	(6,384,876)
Other non-operating revenues (expenses)	791,867	1,334,137	289,199	384,403
Net non-operating revenues (expenses)	<u>135,341,378</u>	<u>126,554,414</u>	<u>8,770,840</u>	<u>6,689,099</u>
Income before other revenues, expenses, and gains or losses	<u>22,296,181</u>	<u>15,433,013</u>	<u>19,108,785</u>	<u>38,870,448</u>
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>				
State capital appropriation	17,702,121	7,987,143	0	0
Capital grants and gifts	3,419,151	1,129,764	0	0
Additions to permanent endowments	3,717,849	2,267,231	9,832,365	9,062,629
Total other revenues, expenses, gains, or losses	<u>24,839,121</u>	<u>11,384,138</u>	<u>9,832,365</u>	<u>9,062,629</u>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 47,135,302</b>	<b>\$ 26,817,151</b>	<b>\$ 28,941,150</b>	<b>\$ 47,933,077</b>
Net assets at beginning of year	<u>639,502,361</u>	<u>612,685,210</u>	<u>205,571,907</u>	<u>157,638,830</u>
<b>Net assets at end of year</b>	<b>\$ <u>686,637,663</u></b>	<b>\$ <u>639,502,361</u></b>	<b>\$ <u>234,513,057</u></b>	<b>\$ <u>205,571,907</u></b>

See accompanying notes to financial statements.

**Miami University**  
**Statement of Cash Flows**  
**Year ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition, fees, and other student charges	\$ 246,644,923	\$ 225,068,757
Sales and services of auxiliary enterprises	92,170,884	89,074,159
Contracts	14,469,870	11,042,852
Other operating receipts	8,444,646	7,585,477
Payments for employee compensation and benefits	(289,284,574)	(267,402,771)
Payments to vendors for services and materials	(120,941,294)	(108,313,981)
Student scholarships	(40,769,415)	(38,351,025)
Loans issued to students and employees	(3,154,594)	(2,149,651)
Collection of loans from students and employees	3,233,338	2,281,451
Net cash used for operating activities	(89,186,216)	(81,164,732)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State share of instruction	76,863,620	78,154,406
Grants for noncapital purposes	11,032,771	10,917,474
Gifts	19,504,976	17,612,404
Net cash provided by noncapital financing activities	107,401,367	106,684,284
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State capital appropriation	13,143,431	11,361,299
Grants for capital purposes	2,992,053	508,531
Other capital and related receipts	852,671	(308,308)
Proceeds from debt obligations	0	102,607,291
Payments to construct, renovate, or purchase capital assets	(98,150,312)	(104,672,293)
Principal paid on outstanding debt	(9,056,704)	(21,264,772)
Interest paid on outstanding debt	(7,004,825)	(3,440,980)
Net cash used for capital and related financing activities	(97,223,686)	(15,209,232)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	687,499,756	785,261,381
Purchases of investments	(622,394,326)	(804,862,385)
Endowment income	854,157	1,817,229
Other investment income	6,183,476	4,915,564
Net cash provided by/(used for) investing activities	72,143,063	(12,868,211)
 <b>NET DECREASE IN CASH</b>	<b>\$ (6,865,472)</b>	<b>\$ (2,557,891)</b>
Cash and cash equivalents at beginning of year	28,146,697	30,704,588
<b>Cash and cash equivalents at end of year</b>	<b>\$ 21,281,225</b>	<b>\$ 28,146,697</b>

See accompanying notes to financial statements.

**Miami University**  
**Statement of Cash Flows**  
**Year ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
Net Operating Loss, per Statement of Revenues, Expenses, and Changes in Net Assets	\$ (113,045,197)	\$ (111,121,401)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation expense	26,073,751	27,762,912
Net loss on disposal of capital assets	165,137	81,689
Accounts receivable bad debt adjustments	(282,489)	584,276
Adjustments to reconcile change in net assets to net cash used for operating activities		
Accounts receivable	(1,568,690)	(2,530,838)
Inventories	(145,052)	(52,222)
Prepaid expenses	(441,865)	649,928
Notes receivable	41,315	52,064
Accounts payable	(1,135,877)	858,581
Accrued salaries	(114,535)	980,562
Compensated absences	1,234,675	1,161,016
Deferred income and deposits	(35,641)	298,904
Federal Perkins loans	68,252	109,797
<b>Net cash used for operating activities</b>	<b>\$ (89,186,216)</b>	<b>\$ (81,164,732)</b>

See accompanying notes to financial statements.

**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**(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 12 members, including two student members and one non-voting national trustee. Members are appointed one each year for nine-year terms by the governor with the advice and consent of the state senate. The two student non-voting members are appointed for two-year staggered terms by the governor with the advice and consent of the senate.

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

**Basis for Presentation**

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

Effective July 1, 2005, the university adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. There has been no impact to the university financial statements due to the adoption of Statement No. 42.

Effective July 1, 2005, the university adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation-an amendment of GASB Statement No. 34*. GASB Statement No. 34 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 46 clarifies that a legally enforceable enabling legislation restriction is one where a party external to a government can compel a government to honor. There has been no impact to the university financial statements due to the adoption of Statement No. 46.

Effective July 1, 2005, the university adopted GASB Statement No. 47, *Accounting for Termination Benefits*. This statement establishes standards for termination benefits, both voluntary and involuntary, provided to employees including early retirement incentives, severance benefits and other termination related benefits. There has been no impact to the university financial statements due to the adoption of Statement No. 47.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other postemployment 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. This statement is effective for periods beginning after December 15, 2006. The university has not yet determined the impact this statement will have on the financial statements.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. 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. This statement is effective for periods beginning after December 15, 2006. The university believes that there will be no impact to the university financial statements upon adoption of Statement No.48.

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.

Market prices are not available for certain investments, primarily limited partnerships. 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.

#### **Inventories**

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

**Capital Assets**

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. Land and collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings, 25 years for infrastructure, library books and land improvements, 20 years for improvements to buildings, and 5 to 7 years for equipment, vehicles and furniture. The university's capitalization threshold is 5 percent of the original building cost for building renovations and \$1,200 for all other capitalized items. Property additions included in accounts payable were \$10,280,591 as of June 30, 2006 and \$8,247,599 as of June 30, 2005.

**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. 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 \$160,942,047 and \$153,996,470, as of June 30, 2006 and 2005, respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

### **Tax Status**

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

### **Estimates**

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

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

The university'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 \$21.3 million. Cash and cash equivalents include bank deposits as well as mutual and pooled investment funds that allow for daily withdrawals. The mutual and pooled investment funds have short-term to intermediate-term durations and are stated at quoted market value.

Approximately \$400,000 of cash and cash equivalents was covered by federal depository insurance, \$3,540,000 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 banks and investment managers to reduce its exposure to custodial credit risk at any single institution.

### Investments

Investments held by the university at June 30, 2006 and 2005 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, 2006, are summarized as follows:

Investment Type	Fair Value	Not Rated	AAA	AA, A, and BBB	Below BBB
Cash equivalents	\$ 20,245	\$ 0	\$ 20,245	\$ 0	\$ 0
State Treasury Reserve of Ohio (STAR Ohio)	19,654,462	0	19,654,462	0	0
Commercial paper	247,838	0	0	247,838	0
U.S. Treasury bonds	8,593,070	0	8,593,070	0	0
U.S. Agency bonds	9,495,725	0	9,495,725	0	0
Strips	3,497,353	0	3,497,353	0	0
Mortgage-backed bonds	7,703,125	0	7,703,125	0	0
Corporate bonds	12,549,747	0	352,460	12,196,589	698
International bonds	252,015	0	0	252,015	0
Common and preferred stocks	71,825,449	71,825,449	0	0	0
Mutual funds	116,463,353	116,463,353	0	0	0
Limited partnerships	48,367,406	48,367,406	0	0	0
Real estate and other	652,478	652,478	0	0	0
<b>Total investments</b>	<b>\$ 299,322,266</b>	<b>\$ 237,308,686</b>	<b>\$ 49,316,440</b>	<b>\$ 12,696,442</b>	<b>\$ 698</b>

The investments as of June 30, 2005, are summarized as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Not Rated</b>	<b>AAA</b>	<b>AA, A, and BBB</b>	<b>Below BBB</b>
Cash equivalents	\$ 86,477	\$ 0	\$ 40,613	\$ 45,864	\$ 0
State Treasury Reserve of Ohio (STAR Ohio)	32,654,758	0	32,654,758	0	0
Commercial paper	5,583,030	3,491,013	993,412	1,098,605	
U.S. Treasury bonds	30,235,598	0	30,235,598	0	0
U.S. Agency bonds	31,618,281	0	31,618,281	0	0
Strips	8,573,258	0	8,573,258	0	0
Mortgage-backed bonds	12,842,875	3,840	12,237,087	547,629	54,319
Corporate bonds	18,592,089	0	928,151	17,411,358	252,580
International bonds	22,178	0	0	22,178	0
Common and preferred stocks	78,549,247	78,549,247	0	0	0
Mutual funds	80,454,998	80,454,998	0	0	0
Limited partnerships	36,176,493	36,176,493	0	0	0
Real estate and other	1,431,179	637,030	519,716	274,433	0
<b>Total investments</b>	<b>\$336,820,461</b>	<b>\$199,312,621</b>	<b>\$117,800,874</b>	<b>\$ 19,400,067</b>	<b>\$ 306,899</b>

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

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, 2006, are summarized as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>1 to 5 Years</b>	<b>6 to 10 Years</b>	<b>More Than 10 Years</b>
Commercial paper	\$ 247,838	\$ 247,838	\$ 0	\$ 0	\$ 0
U.S. Treasury bonds	8,593,070	1,384,766	6,037,323	1,170,981	0
U.S. Agency bonds	9,495,725	3,141,126	5,742,051	612,548	0
Strips	3,497,353	1,454,060	1,462,992	281,561	298,740
Mortgage-backed bonds	7,703,125	0	778,838	6,118,748	805,539
Corporate bonds	12,549,747	3,437,724	5,607,179	3,329,570	175,274
International bonds	252,015	0	0	252,015	0
<b>Total Bonds</b>	<b>\$ 42,338,873</b>	<b>\$ 9,665,514</b>	<b>\$ 19,628,383</b>	<b>\$ 11,765,423</b>	<b>\$ 1,279,553</b>

Bond investments by length of maturity as of June 30, 2005, are summarized as follows:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>	<b>1 to 5 Years</b>	<b>6 to 10 Years</b>	<b>More Than 10 Years</b>
Commercial paper	\$ 5,583,030	\$ 5,583,030	\$ 0	\$ 0	\$ 0
U.S. Treasury bonds	30,235,598	16,675,726	9,757,790	2,173,776	1,628,306
U.S. Agency bonds	31,618,281	15,313,017	7,960,431	2,030,576	6,314,257
Strips	8,573,258	2,422,864	4,470,231	847,555	832,608
Mortgage-backed bonds	12,842,875	51,494	1,525,831	1,630,374	9,635,176
Corporate bonds	18,592,089	5,349,002	8,032,221	2,969,209	2,241,657
International bonds	22,178	0	0	22,178	0
<b>Total Bonds</b>	<b>\$107,467,309</b>	<b>\$45,395,133</b>	<b>\$31,746,504</b>	<b>\$9,673,668</b>	<b>\$20,652,004</b>

All of the university's investments in publicly-traded securities are subject to market risk. Investments include approximately \$35.6 million managed by international 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.

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2006 and 2005.

Limited partnerships generally represent investments that are less liquid than publicly-traded securities and include hedge funds, private equity, investments in real assets and other strategies. The hedge funds may include, but are not limited to, investments in long and short 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, 2006, the university has made commitments to limited partnerships totaling \$6.5 million that have not yet been funded.

#### **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 \$5,920,410 in 2006 and \$5,217,313 in 2005. In accordance with donors' stipulations, a portion of the earnings was returned to endowment principal and the balance of \$5,616,537 and \$4,928,724 was distributed for expenditure for 2006 and 2005, respectively.

### (3) Accounts Receivable

The accounts, pledges and notes receivable as of June 30, 2006 and 2005, are summarized as follows:

	2006	2005
<b>Accounts Receivable</b>		
Student receivables	\$ 7,345,857	\$ 7,531,917
University Foundation	7,422,254	5,682,194
State capital appropriations	7,435,790	2,877,101
Grants and contracts	6,289,944	4,353,346
Other receivables	2,440,405	2,051,433
Total accounts receivable	\$ 30,934,250	\$ 22,495,991
Less allowance for doubtful accounts	(1,300,000)	(1,800,000)
Net accounts receivable	\$ 29,634,250	\$ 20,695,991
<b>Pledges Receivable</b>		
Pledges receivable	\$ 2,514,066	\$ 2,901,780
Less allowance for doubtful pledges	(410,250)	(691,343)
Net pledges receivable	\$ 2,103,816	\$ 2,210,437
<b>Notes Receivable</b>		
Federal loan programs	\$ 7,559,628	\$ 7,637,141
University loan programs	2,523,829	2,487,629
Total notes receivable	\$ 10,083,457	\$ 10,124,770
Less allowance for doubtful notes	(1,141,000)	(1,141,000)
Net notes receivable	\$ 8,942,457	\$ 8,983,770
<b>Total</b>	<b>\$ 40,680,523</b>	<b>\$ 31,890,198</b>

#### (4) Capital Assets

The capital assets and accumulated depreciation as of June 30, 2006, are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Capital Assets</b>				
Land	\$ 4,650,176	\$ 0	\$ 0	\$ 4,650,176
Infrastructure	66,779,082	3,138,490	0	69,917,572
Buildings	441,502,725	4,795,308	33,548	446,264,485
Land improvements	17,858,593	1,470,725	0	19,329,318
Machinery and equipment	132,951,712	9,938,425	4,934,403	137,955,734
Library books and publications	54,752,839	1,597,843	0	56,350,682
Vehicles	7,313,901	797,193	287,403	7,823,691
Construction in progress	116,266,264	85,300,787	4,265,495	197,301,556
Works of art & historical treasures	2,814,830	191,400	0	3,006,230
<b>Total capital assets</b>	<b>\$ 844,890,122</b>	<b>\$ 107,230,171</b>	<b>\$ 9,520,849</b>	<b>\$ 942,599,444</b>
<b>Less Accumulated Depreciation</b>				
Infrastructure	23,769,982	2,622,168	0	26,392,150
Buildings	214,552,659	13,492,578	33,548	228,011,689
Land improvements	5,880,656	582,079	0	6,462,735
Machinery and equipment	80,103,883	6,630,650	4,818,832	81,915,701
Library books and publications	25,026,055	2,039,894	0	27,065,949
Vehicles	5,056,568	706,382	237,837	5,525,113
<b>Total accumulated depreciation</b>	<b>\$ 354,389,803</b>	<b>\$ 26,073,751</b>	<b>\$ 5,090,217</b>	<b>\$ 375,373,337</b>
<b>Capital assets, net</b>	<b>\$ 490,500,319</b>	<b>\$ 81,156,420</b>	<b>\$ 4,430,632</b>	<b>\$ 567,226,107</b>

The capital assets and accumulated depreciation as of June 30, 2005, are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Capital Assets</b>				
Land	\$ 4,650,176	\$ 0	\$ 0	\$ 4,650,176
Infrastructure	62,442,966	4,336,116	0	66,779,082
Buildings	437,382,462	4,120,263	0	441,502,725
Land improvements	15,609,627	2,248,966	0	17,858,593
Machinery and equipment	122,011,078	12,730,481	1,789,847	132,951,712
Library books and publications	53,276,759	1,476,080	0	54,752,839
Vehicles	6,687,482	634,572	8,153	7,313,901
Construction in progress	32,771,988	88,967,274	5,472,998	116,266,264
Works of art & historical treasures	2,533,540	281,290	0	2,814,830
<b>Total capital assets</b>	<b>\$ 737,366,078</b>	<b>\$ 114,795,042</b>	<b>\$ 7,270,998</b>	<b>\$ 844,890,122</b>
<b>Less Accumulated Depreciation</b>				
Infrastructure	21,304,166	2,465,816	0	23,769,982
Buildings	201,181,210	13,371,449	0	214,552,659
Land improvements	5,372,573	508,083	0	5,880,656
Machinery and equipment	73,104,660	8,707,381	1,708,158	80,103,883
Library books and publications	23,022,349	2,003,706	0	25,026,055
Vehicles	4,358,244	706,477	8,153	5,056,568
<b>Total accumulated depreciation</b>	<b>\$ 328,343,202</b>	<b>\$ 27,762,912</b>	<b>\$ 1,716,311</b>	<b>\$ 354,389,803</b>
<b>Capital assets, net</b>	<b>\$ 409,022,876</b>	<b>\$ 87,032,130</b>	<b>\$ 5,554,687</b>	<b>\$ 490,500,319</b>

## (5) Long term Liabilities

The long term liabilities as of June 30, 2006, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds, Leases, and Notes, Payable</b>					
Bonds payable	\$ 167,219,884	\$ 0	\$ 8,305,000	\$ 158,914,884	\$ 7,361,714
Capital leases payable	1,436,960	26,793	696,153	767,600	128,465
Notes payable	2,117,082	0	55,551	2,061,531	58,648
Premiums, issue costs, loss on refunding	4,612,027	0	215,089	4,396,938	215,090
<b>Total bonds, leases, and notes payable</b>	<b>\$ 175,385,953</b>	<b>\$ 26,793</b>	<b>\$ 9,271,793</b>	<b>\$ 166,140,953</b>	<b>\$ 7,763,917</b>
<b>Other Liabilities</b>					
Compensated absences	12,395,177	7,967,832	6,733,157	13,629,852	1,021,926
Federal Perkins loans	6,422,170	282,543	214,291	6,490,422	0
<b>Total other liabilities</b>	<b>\$ 18,817,347</b>	<b>\$ 8,250,375</b>	<b>\$ 6,947,448</b>	<b>\$ 20,120,274</b>	<b>\$ 1,021,926</b>
<b>Total</b>	<b>\$ 194,203,300</b>	<b>\$ 8,277,168</b>	<b>\$ 16,219,241</b>	<b>\$ 186,261,227</b>	<b>\$ 8,785,843</b>

The long term liabilities as of June 30, 2005, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds, Leases, and Notes, Payable</b>					
Bonds payable	\$ 88,824,884	\$ 98,455,000	\$ 20,060,000	\$ 167,219,884	\$ 8,305,000
Capital leases payable	2,519,341	69,774	1,152,155	1,436,960	695,740
Notes payable	2,169,699	0	52,617	2,117,082	55,551
Premiums, issue costs, loss on refunding	2,157,039	2,593,748	138,760	4,612,027	215,090
<b>Total bonds, leases, and notes payable</b>	<b>\$ 95,670,963</b>	<b>\$ 101,118,522</b>	<b>\$ 21,403,532</b>	<b>\$ 175,385,953</b>	<b>\$ 9,271,381</b>
<b>Other Liabilities</b>					
Compensated absences	11,234,161	6,875,561	5,714,545	12,395,177	867,611
Federal Perkins loans	6,312,373	310,578	200,781	6,422,170	0
<b>Total other liabilities</b>	<b>\$ 17,546,534</b>	<b>\$ 7,186,139</b>	<b>\$ 5,915,326</b>	<b>\$ 18,817,347</b>	<b>\$ 867,611</b>
<b>Total</b>	<b>\$ 113,217,497</b>	<b>\$ 108,304,661</b>	<b>\$ 27,318,858</b>	<b>\$ 194,203,300</b>	<b>\$ 10,138,992</b>

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, 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 are being 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 at June 30, 2006 was \$13,995,000.

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 2005 and Series 2003 bonds are subject to federal arbitrage obligations. The university does not anticipate any significant liability in relation to the arbitrage obligations.

The Series 1993 General Receipts Bonds were issued in the amount of \$24,999,884, 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, 2006, are as follows:

<b>Indebtedness</b>	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Debt</b>
<b>Bonds Payable</b>			
Series 2005 general receipts	2007 - 2025	3.00% - 5.00%	\$ 98,266,089
Series 2003 general receipts	2007 - 2024	2.25% - 5.50%	56,895,849
Series 1998 general receipts	2007 - 2010	4.00% - 4.20%	5,280,000
Series 1993 general receipts	2007 - 2010	5.60% - 5.80%	2,869,884
<b>Note Payable</b>			
U.S. Department of Education	2007 - 2026	5.50%	2,061,531
<b>Total Bonds and Notes Payable</b>			<b>\$ 165,373,353</b>
Bond premiums			(6,413,624)
Bond issuance costs			1,085,735
Deferred loss on refunding			930,951
<b>Total Bonds and Notes Payable, net</b>			<b>\$ 160,976,415</b>

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

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 7,420,362	\$ 7,545,567	\$ 14,965,929
2008	6,960,576	7,387,768	14,348,344
2009	7,115,270	7,249,995	14,365,265
2010	7,263,629	7,079,051	14,342,680
2011	8,497,863	5,815,767	14,313,630
2012 – 2016	44,019,980	23,575,464	67,595,444
2017 – 2021	44,683,984	13,293,517	57,977,501
2022 – 2026	35,014,751	3,033,610	38,048,361
<b>Total</b>	<b>\$ 160,976,415</b>	<b>\$ 74,980,739</b>	<b>\$ 235,957,154</b>

The university has \$767,600 in capitalized lease obligations that have varying maturity dates through 2012 and carry implicit interest rates ranging from 3.6 percent to 11.5 percent. The scheduled maturities of these leases as of June 30, 2006, are:

<b>Year Ended June 30</b>	<b>Minimum Lease Payments</b>
2007	\$ 175,612
2008	162,251
2009	157,217
2010	147,411
2011	147,411
2012	147,411
Total minimum lease payments	\$ 937,313
Less amount representing interest	(169,713)
<b>Net minimum lease payments</b>	<b>\$ 767,600</b>

Buildings and computer equipment are financed with capital leases. The carrying amount related to these capital leases as of June 30, 2006 and June 30, 2005 are \$1,402,000 and \$1,350,000 for buildings and \$140,000 and \$7,981,000 for equipment.

## **(7) Retirement Plans**

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

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

University faculty participate in STRS. Contribution rates for STRS are established by the State Teachers Retirement Board, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution rates for fiscal year 2005 were 10 percent for employees and 14 percent for employers. For the fiscal years ended June 30, 2005 and June 30, 2004, 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 2005, employees covered by the OPERS system are required by state statute to contribute 8.5 percent of their salary to the plan. The university was required to contribute 13.31 percent of covered payroll; 9.31 percent was used to fund pension obligations and 4 percent funded the retiree health care program (Note 8). Law enforcement employees that are a part of the OPERS law enforcement division contribute 10.1 percent of their salary to the plan. For these employees, the university was required to contribute 16.7 percent of covered payroll; 12.7 percent was used to fund pension obligations and 4 percent funded the retiree health care program (Note 8).

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

The payroll for employees covered by STRS and OPERS for the year ended June 30, 2006, was \$68,135,000 and \$86,551,000 respectively. The payroll for employees electing the alternative retirement program was \$36,241,000.

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

	<b>Employer Contribution</b>		
	<b>STRS</b>	<b>OPERS</b>	<b>Alternative Programs</b>
2006	\$ 9,538,878	\$ 11,302,591	\$ 4,282,852
2005	10,173,785	11,050,312	3,702,606
2004	9,497,442	10,141,318	3,778,656

**(8) Other Postemployment Benefits**

In addition to the pension benefits described in Note 7, STRS and OPERS provide postretirement health care coverage to retirees and their dependents. Health care coverage for disability recipients and primary survivor recipients is also provided. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer contribution (1 percent for STRS and 4 percent for OPERS) is allocated to fund the health care benefits.

The STRS health care plan is financed on a pay-as-you-go basis. The net health care costs paid by the plan were \$254.8 million for the year ended June 30, 2005, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled \$3.3 billion as of June 30, 2005. At that date there were 115,395 eligible benefit recipients in the STRS plan.

OPERS health care benefits are advanced-funded on an actuarially determined basis. The amount of employer contributions actually made to fund post-employment benefits was \$3.4 million. The actuarial value of the retirement system's net assets available for other post-employment benefits was \$10.8 billion as of December 31, 2004. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. The number of active contributing participants was 376,109.

**(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, 2006, the date of its most recent audited financial report, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ 1,103,312	\$ 91,154,566	\$ 142,255,179	\$ 234,513,057
Change in net assets for the year	194,102	13,436,391	15,310,657	28,941,150
Distributions to Miami University	12,084,910	0	0	12,084,910

Summary financial information for the foundation as of June 30, 2005, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ 909,210	\$ 77,718,175	\$ 126,944,522	\$ 205,571,907
Change in net assets for the year	79,955	32,890,669	14,962,453	47,933,077
Distributions to Miami University	6,384,876	0	0	6,384,876

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

(d) Nature of Restricted Net Assets -- All temporarily and permanently restricted net assets have been restricted by independent donors for the financial support of Miami University. The Ohio Uniform Management of Institutional Funds Act specifies that the governing board of an institution may appropriate for expenditure for the uses and purposes for which an endowment fund is established, up to 100 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	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Domestic Equities	\$ 71,827,872	\$ 80,396,714	\$ 70,363,639	\$ 79,368,277
International Equities	22,957,649	33,963,420	20,803,435	26,288,828
Fixed Income	14,159,788	14,410,052	15,391,668	16,469,519
Hedge Funds	27,450,000	30,888,157	13,250,000	14,837,592
Limited Partnerships, Private Equity, & Other	22,255,170	19,358,262	18,604,806	15,221,266
Split-Interest Funds	12,931,317	14,011,928	13,028,782	14,192,407
Real Estate and Accumulated Insurance	1,165,584	1,517,028	1,163,587	1,400,787
Subtotal	172,747,380	194,545,561	152,605,917	167,778,676
Less assets held for Miami University Paper Science & Engineering Foundation	(2,425,000)	(3,510,284)	(2,300,000)	(3,105,878)
Total	\$ 170,322,380	\$ 191,035,277	\$ 150,305,917	\$ 164,672,798

(f) Pledges Receivable -- As of June 30, 2006, contributors to the foundation have made unconditional pledges totaling \$61,044,027. Net pledges receivable have been discounted to a net present value of \$54,663,570 which represents fair market value. Discount rates ranged from 3.58 percent to 4.96 percent for 2006. Management has set up an allowance for uncollectible pledges of \$1,937,529. 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, 2006, 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, 2006, the university is committed to future contractual obligations for capital expenditures of approximately \$35.2 million. These commitments are being funded from the following sources:

	<b>Contractual Obligations</b>
Approved state appropriations not expended	\$ 7,810,536
University funds	27,403,300
<b>Total</b>	<b>\$ 35,213,836</b>

#### **(11) Risk Management**

The university's employee health insurance program is a self-insured plan administered by Anthem Blue Cross/Blue Shield ("Anthem"). The university's risk exposure is limited to 110 percent of estimated claims in any given year, which reduces its exposure to material financial loss. To further reduce potential loss exposure, the university has also established a reserve for health insurance stabilization of \$1.5 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 \$1,677,496 and \$2,029,046 is included in the accrued salaries and wages as of June 30, 2006 and 2005, respectively. The change in the total liability for actual and estimated claims is summarized below:

	2006	2005
Liability at beginning of year	\$ 2,778,602	\$ 1,966,851
Claims incurred	26,541,532	21,859,553
Claims paid	(26,964,037)	(21,254,189)
Increase (decrease) in estimated claims incurred but not reported	(351,550)	206,387
<b>Liability at end of year</b>	<b>\$ 2,004,547</b>	<b>\$ 2,778,602</b>

The university participates in a consortium with other state-assisted universities for the acquisition of commercial property and casualty insurance. The commercial property loss limit is \$1.0 billion and the general liability coverage is \$50.0 million. The property insurance program has been in place for more than ten years and has had no material losses above the pool deductible. The casualty program has been in place for more than six years and has had no losses above the pool deductible. The university also carries commercial insurance for other risks. Over the past four 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.

**MIAMI UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2006**

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<b>Federal Grant/Pass-Through Grant/Program Title</b>	<b>CFDA</b>	<b>Pass-Through/ Program Number</b>	<b>Federal Expenditures</b>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			
U.S. Department of Education:			
Supplemental Educational Opportunity Grant Program	84.007	--	\$1,397,088
College Work Study Program	84.033	--	814,099
Federal Pell Grant Program	84.063	--	<u>7,105,850</u>
Total U.S. Department of Education			<u>9,317,037</u>
Total Student Financial Assistance Cluster			<u>9,317,037</u>

(Continued)

**MIAMI UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2006**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
U.S. Department of Agriculture:			
Effects of Improved Watershed Management on an Agriculturally Impacted Reservoir System: Response to Reduced Nutrient and Sediment Inputs	10.206	2003-35101-13753	\$ 68,395
Invasion of an Exotic Shrub, <i>Lonicera Maackii</i> : Role of Habitat Suitability, Landscape Structure, and Seed Dispersers	10.206	3532012068	16,923
Low Trans Fatty Acid Containing Hydrogenated Soybean Oil via a Novel Low Temp Electrochem Process	10.206	2005-35503-15369	<u>43,780</u>
Total U.S. Department of Agriculture			<u>129,098</u>
U.S. Department of Commerce:			
2006 Summer Undergraduate Research Fellowship Partnership in Atomic, Molecular and Optical Physics	11.609	70NANB6H6055	7,400
Pass-Through Programs From:			
Bowling Green State University: Economic Renewal, Investment, and Development for Local Governments	11.303	06-66-05054	42,190
Bowling Green State University: Local Government Economic Development Policy	11.303	06-66-04955	<u>5,324</u>
Total U.S. Department of Commerce—Pass-Through Programs			<u>47,514</u>
Total U.S. Department of Commerce			<u>54,914</u>
U.S. Army:			
Inertial Motion Tracking for Inserting Humans into a Networked Synthetic Environment	12.431	W911NF-04-1-0301	18,629
Very Large Immersive Virtual Environment for Multiple Users Based on Wireless Full Body Posture and Position Tracking	12.431	W911NF-05-1-0105	<u>31,017</u>
Total U.S. Army			<u>49,646</u>
U.S. Air Force:			
Acquisition of a Terahertz Spectroscopy System	12.8	FA9550-04-1-0322	13,477
Integrated Reconfigurable Aperture, Digital Beam Forming, and Software GPS Receiver for UAV Navigation	12.8	FA9550-05-1-0035	<u>77,237</u>
Total U.S. Air Force—Direct Programs			90,714
Pass-Through Programs From:			
University of Dayton: Integrated Navigation Information Systems for Micro-UAV Applications	12.8	RSC05035	35,203
Wyle Laboratories: An Integrated Spatial Digital Beam Forming and Adaptive Periodiogram Technique for Jamming Cancellation	12.8	19041.OC.21-1065	<u>9,199</u>
Total U.S. Air Force—Pass-Through Programs			<u>44,402</u>
Total U.S. Air Force			<u>135,116</u>

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2006

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
National Security Agency:			
Noncommutative Projective Geometry	12.901	H98230-05-1-0034	\$ 28,507
Summer Undergraduate Mathematical Sciences Research Institute	12.901	RI-06-0208	49,274
Summer Undergraduate Mathematical Sciences Research Institute	12.901	H98230-04-1-0072	19,109
Summer Undergraduate Mathematical Sciences Research Institute	12.901	H98230-05-1-0092	<u>68,124</u>
Total National Security Agency			<u>165,014</u>
U.S. Department of Interior:			
Continuing Molecular Genetic Studies of a Wide-Ranging Imperiled Mussel: the Spectaclecase	15.FFB	301814M155	2,748
Private Lands Program Coop Agreement	15.FFB	301812J055	558
Reproductive Biology of Florida Semaphore Cactus, Consola Corallicola, from Biscayne National Park	15.632	41420-4730-ES11	8,652
Operation of the NADP/NTN Precipitation Chemistry Station at Oxford, Ohio	15.808	02HQPR00076	<u>5,371</u>
Total U.S. Department of the Interior			<u>17,329</u>
U.S. Department of Justice:			
Drug Free Communities/The Coalition for a Healthy Community-Oxford Area	16.729	--	32,622
Pass-Through Programs From:			
City of Hamilton: Federal Weed and Seed Program Evaluation 2006	16.595	--	1,184
City of Hamilton: Program Evaluation: Department of Justice Weed and Seed Program, City of Hamilton	16.595	2004-WS-Q4-0124	<u>11,934</u>
Total U.S. Department of Justice—Pass-Through Programs			<u>13,118</u>
Total U.S. Department of Justice			<u>45,740</u>
U.S. Department of Transportation:			
Ohio Department of Public Safety: Traffic Safety Evaluation and Action Planning II	20.6	H45066	<u>350,955</u>
National Aeronautics and Space Administration :			
Agile Risk Capture and Reasoning	43.XXX	NNA04CK79G	74,649
The Role of the Actin Cytoskeleton in Gravitopic Signal Transduction in Arabidopsis Thaliana	43.001	NGT5-50480	<u>22,537</u>
Total National Aeronautics and Space Administration—Direct Programs			97,186
Pass-Through Programs From:			
National Aeronautics and Space Administration (NASA): NASA Opportunities for Visionary Academics (NOVA)	43.001	NNG04G093G	3,917
Ohio Aerospace Institute: VisualOhio: Implementing a Visual Interface to Online Remote Sensing Data Inventories	43.001	R-300-100375-40005	5,517
Ames Research Center: Analysis of a Novel Sensory Mechanism in Root Phototropism	43.002	NCC2-1200	<u>134,809</u>
Total National Aeronautics and Space Administration—Pass-Through Programs			<u>144,243</u>
Total National Aeronautics and Space Administration			<u>241,429</u>

(Continued)

**MIAMI UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2006**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
National Endowment for Humanities: Th Ya'qubi Translation Project	45.161	RZ-50072-03	\$ 18,446
Pass-Through Programs From:			
Ohio Humanities Council: Walk With Me: An Interactive Walking Tour of Freedom Summer Training in Oxford	45.129	OHC-M05-168	1,355
Ohio Humanities Council: Local History/Digital Community	45.129	OHC-R05-064CH	<u>601</u>
Total National Endowment for Humanities—Pass-Through Programs			<u>1,956</u>
Total National Endowment for Humanities			<u>20,402</u>
National Science Foundation:			
Acquisition of a 400 MHz Solid-State NMR Spectrometer	47.049	CHE-0116333	49,305
Banach Space Structures of L p-spaces and Non-Commutative Hardy Spaces	47.049	DMS-0096696	945
Banach Space Structures of Non-Commutative L P-spaces and Non-Commutative Martingale Inequalities	47.049	DMS-0456781	10,588
CAREER: From Biomimetic Reaction Platforms to Nanostructured Artificial Enzymes	47.049	CHE-0449634	144,007
CAREER: Investigating Membrane Proteins with Magnetic Resonance Spectroscopy	47.049	CHE-0133433	138,192
Generation, Measurement, and Preservation of Entanglement Using Cavity QED	47.049	PHY-0555572	17,061
Maximal Methods for Small Sets	47.049	DMS-0401603	33,952
Measurement of the Vortex Charge	47.049	DMR-0439166	25,529
REU: Summer Undergraduate Research in Chemistry at Miami University, Oxford	47.049	CHE-0353179	50,707
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0553085	12,494
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	37,478
Collaborative Research: CEDAR Daytime Potassium Doppler Lidar at Arecibo	47.05	ATM-0535459	15,486
Collaborative Research: Crystal Chemistry of U, Th and other Radionuclides in Apatite: Environmental and Geochemical Implications	47.05	EAR-0409435	76,379
Collaborative Research: Mantle and Fluid Evolution Across the Izu Arc	47.05	OCE-0325111	26,361
Collaborative Research: Understanding the Causes of Continental Intraplate Tectonomagmatism: a Case Study from the Pacific Northwest	47.05	EAR-0506887	27,539
Dual-Beam Incoherent Scatter Radar Study of the Mesosphere at Arecibo	47.05	ATM-0337245	45,900
Magma Fractionation Processes and Timescales: Fogo, Furnas and Fuji Volcanoes	47.05	EAR-0207529	94,757
Nanoscale Investigation of Microbial Role in Promoting the Smectite to Illite Transformation	47.05	EAR-0345307	79,622
Origin of Mantle Heterogeneity in the Azores	47.05	EAR-0510598	8,552
SGER: International Collaboration for Study of Deep Subduction Using Seismic Arrays in New Caledonia and Vanuatu	47.05	EAR-0542253	12,115
The Santa Rosa-Calico Volcanic Field: A Case Study of Magmatic Processes	47.05	EAR-0106144	26,706
Acquisition of High Throughput DNA Sequencing and Genotyping Instrumentation for Research and Training	47.074	DBI-02420479	11,839
Analysis of Chromosome Cohesion in Arabidopsis	47.074	MCB-0322171	140,110
Effects of Seventeen Year Cicada Emergence on Aquatic Food Webs	47.074	DFB-0420593	11,467
IRCEB: Interactive Effects of UV Radiation and Temperature on Pelagic Food webs	47.074	DEB-0552283	571,055
Late Tertiary Climatic Changes and Evolutionary Success of Tribe Senecioneae (Asteraceae): A Phylogenetic Approach	47.074	DEB-0542238	9,953
LBTREB: Response of a Reservoir Ecosystem to Declining Nutrient and Detritus Subsidies	47.074	DEB-0235755	24,469
Maternal Investment in Communally Nesting Females	47.074	IBN-0309068	113
Mechanisms of Rapid and Winter Cold-Hardening in Insects	47.074	IBN-0416720	127,605
Modulation of Hippocampal Systems During Classical Conditioning	47.074	IOB-0517575	44,605

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2006

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
National Science Foundation (Continued)			
Novel Roles of Urea in Amphibian Hibernation	47.074	IBN-0416750	\$ 95,913
Research Experience for Undergraduates Program in Human-Dominated Landscapes	47.074	DBI-0097393	1,752
Research Experiences for Undergraduates: Research in Human-Dominated Landscapes	47.074	DBI-0353915	93,519
Shifts in Wolf Spider Reproductive Behavior Under Predation Risk	47.074	IBN-0216947	119,467
Testing the Relative Importance of Habitat Saturation and Benefits of Philopatry	47.074	DEB-0316818	122,535
Theory, Statistics, and Software for the Additive Partitioning of Species Diversity	47.074	DEB-0235369	28,540
Task Frame in Individual and Collective Decision Making	47.075	BCS-0339158	56,791
CHEMX: Assessing Cognitive Expectations for Learning Chemistry	47.076	DUE-0626027	4,105
Collaborative Research: Undergraduate Instruction in Combinatorial Chemistry	47.076	DUE-0127205	10,739
Leadership Alliance in the Biological Sciences: Joining Molecular Biology and Ecology with Research	47.076	ESI-9819374	29,350
Mapping the Dimensions of the Undergraduate Chemistry Laboratory: Faculty Perspectives on Curriculum, Pedagogy, and Assessment	47.076	DUE-0536776	14,046
Physiological and Molecular Mechanisms of Stress Tolerance in a Polar Insect	47.078	OPP-0337656	<u>88,976</u>
Total National Science Foundation—Direct Programs			2,540,624
Pass-Through Programs From:			
Purdue University: Evaluation of the Center for Authentic Science Practice in Education	47.049	CHE-0418902	23,455
University of Kentucky: KY: Arabidopsis 2010: Functional Genomic Studies of mRNA Polyadenylation Related Genes	47.074	UKRE 4-67166-04-232	172,515
University of Chicago: The Causal Mechanisms of Stereotype Threat	47.075	BEC-0516931	4,749
City University of New York: Mathematics Science Partnership in New York City	47.076	40560-00-01(A)	116,847
Sinclair Community College Faculty Development in Automotive Hybrid Vehicle Technology	47.076	--	554
University of Pennsylvania: Evaluation of the University of Pennsylvania Science Teacher Institute	47.076	5-4337 1-A	<u>45,559</u>
Total National Science Foundation—Pass-Through Programs			<u>363,679</u>
Total National Science Foundation			<u>2,904,303</u>
U.S. Environmental Protection Agency:			
Construction and Testing of Surface Corona Discharge-Catalytic Reactor for Oxidative Treatment of Waste Gas Emissions from the Pulp and Paper Industry	66.XXX	EP06C000058	36,269
Experimental Investigation for the Use of a Surface Corona Discharge Catalytic Reactor	66.XXX	4C-R326-NAEX	17,596
Toxicological Effects of Methylmercury on Fish of Isle Royale National Park	66.514	FP-91643401-0	15,857
Eco-Wall Systems: Using Recycled Material in the Design of Commercial Interior Wall Systems for Buildings	66.516	SU-83182201	<u>42</u>
Total U.S. Environmental Protection Agency—Direct Programs			<u>69,764</u>
Pass-Through programs From:			
MACTEC: Operation of the USEPA National Dry Deposition Network Station at Miami University	66.XXX	S68D98112-SITEOP-122	7,081
Shaw E and I: Operation of T and E Facility	66.XXX	--	87,034
Shaw Environmental: Research at the EPA Testing and Evaluation Facility	66.XXX	EP-C-04-034	22,130
Michigan State University: A Hydrogeomorphic Lake Classification System for Refining Lake Assessment at Multiple Spatial Scales	66.436	61-3375A	<u>565</u>
Total U.S. Environmental Protection Agency—Pass-Through Programs			<u>116,810</u>
Total U.S. Environmental Protection Agency			<u>186,574</u>

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2006

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
U.S. Department of Energy:			
Construction of Whole Genome Microarrays, and Expression Analysis of Desulfovibrio	81.049	DE-FG02-04-ER63765	\$ 66,091
Identification of Molecular and Cellular Responses of Desulfovibrio Vulgaris Biofilms Under	81.049	DE-FG02-05ER64125	2,035
Culture Conditions Relevant to Field Conditions for Bioreduction of Heavy Metals	81.049	DE-FG02-86ER45281	51,330
Magnetic Nanoscale Physics			
Total U.S. Department of Energy—Direc Programs			119,456
Pass-Through Programs From:			
ADA Technologies: Real Time Monitoring System for Phytoremediation Optimization	81.XXX	03-0862S	3,405
Brookhaven National Laboratory: Development of a Combinatorial Hall Effect System	81.XXX	(98560) DE-AC02-98CH10886	70,278
Oak Ridge National Laboratory: Biochemical and Physiological Studies Dealing with Metal- and			
Sulfate-Reducing Microorganisms and Communities	81.049	4000032042	44,443
Consortium for Plant Biotechnology Research, Inc.—Ohio State University Research Foundation:			
Noval Pharmaceuticals and Crop Protection Chemicals from Plants	81.087	60001714	17,487
Total U.S. Department of Energy—Pass-Through Programs			135,613
Total U.S. Department of Energy			255,069
U.S. Department of Education:			
Miami University Initiative to Reduce High-Risk Drinking Among First-Year College Students	84.184	Q184HI030101	83,007
Pass-Through Programs From:			
NASDSE: Ohio/NASDSE Shared Agenda Seed Grant	84.XXX	--	4,475
The School Study Council of Ohio: Impact of No Child Left Behind's Highly Qualified Requirements			
on Special Education in Ohio	84.XXX	--	26,070
Ohio Department of Education: Mental Health for School Success	84.027	062984-6B-PB-05P	60,014
University of Cincinnati: Developing a Corporate Feedback System for Use in Curricular Reform	84.116	P116B040276	13,573
University of Toledo: Project AHEAD	84.206	S206A040096	289,293
Northern Illinois University: Improving the Comprehension and Construction of Arguments	84.305	R305H020039	23,039
Northern Illinois University: Web-based Tutoring of Argument Comprehension and Production Skills	84.305	P.O. 69961	15,752
Ohio Department of Education: Teacher Candidate Assessment System	84.367	--	15,000
Total U.S. Department of Education—Pass-Through Programs			447,216
Total U.S. Department of Education			530,223
U.S. Department of Health and Human Services:			
Spore Dispersal and Germination in Stachybotrys	93.113	1R15ES012907-01A1	62,605
Iron Uptake in Actinobacillus Actinomycetemcomitans	93.121	1 R01 DE13657-01	141,449
The Neural Substrates of Adaptive Jaw Movement	93.121	2 R15 DE012248-03A1	84,738
Action Intentions in Nonvisual Spatial Updating	93.242	1 R03 MH069907-01	45,807
Egocentric Reference Frames in Memory	93.242	1 R03 MH068245	42,412
Multiple Selves: Properties, Processes, and Consequences	93.242	1 R01 MH068279-01	132,922
Pruning of Motor Neuronal Arbors	93.242	1 R15 MH67622-01	59,173
Sensorimotor Regulation of Reproductive Behavior	93.242	EIN:1316402089A1	10,992
Model Averaging for Epidemiological Risk Assessment	93.262	211-2005-M-13470	25,000
HEALTHRICH: Health, Risks Information and Choices	93.389	1R25RR16301-01A1	143,325

(Continued)

**MIAMI UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2006**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Concluded)</b>			
Analyses of a Dynein Heavy Chain Mutation in Tetrahymena	93.39	1 R15 GM59855-01	\$ 79,393
Cortical Mechanisms of Spatial Vision	93.39	1 R15 EY 13953-01	66,600
In vivo Functions of the Drosophila Fragile X Orthologue	93.39	1 R15 GM068468-01	33,727
Preconcentrators Based on Self-Assembled Reagents	93.39	1 R15 GM64390-01	9,891
Ribosome-Binding and Translation of Leaderless mRNA	93.39	1 R15GM65120-01	86,961
Nuclear Organization During Adenovirus Infection	93.393	1R15 CA82111-01	60,428
Endocrine Role of OFQ/N: Studies with Knock-out Mice	93.847	1 R15 DK61956-01	23,854
Polyphenol-Protein Antioxidants in the GI Environment	93.848	1 R15 DK069285-01A1	39,292
Regulation of Neurotrophin Expression in the Periphery	93.853	1 R15 NS051206-01	43,094
Chlamydial Evasion of IFN-Mediated Immunity	93.856	1 R01 AI45836-01A2	128,942
Characterization of Metallo-B-Lactamases	93.859	GM67928-06	132,510
Comparison of CYP2 Genes Across Mammal Species	93.859	1 R15 GM069387-01	45,815
Natural Antisense and RNP-4F Expression in Drosophila	93.859	1 R15 GM070802-01	103,807
Study of the Strength of CH-Y (Y=O,N) and XH-p (X=N,O,S) Interactions	93.859	1 R15 GM069441-01A2	14,898
Using Intraspecific Variation to Study Mating Systems	93.859	1 R15 GM069409-01	31,770
Effects of a Systematic Categorization Program in TBI	93.865	1 R15 HD044554-01A1	61,101
Role of the Na, K-ATPase Alpha4 Isoform in Sperm Motility	93.865	1 R15 HD050283-01A1	30,472
Steroid Involvement in OFQ/N-Induced Prolactin Secretion	93.865	1 R15 HD046479-01A1	49,601
NIA Access to Physical Activity and its Relation to Health	93.866	1 R15 AG020526-01A1	48,087
Regulation of Retinal Stem Cells in Retina Regeneration	93.866	1 R21 AG024937-01	209,177
Molecular Pathway in Retina Regeneration	93.867	R3EY14197A	44,615
Crisis Nursing Resource Information System	93.879	1 G08 LM008307-01	<u>125,948</u>
Total U.S. Department of Health and Human Services—Direct Programs			2,218,406
Pass-Through Programs From:			
Boston College: Implementing and Testing a Quality Improvement Model in Consumer Directed Programs	93.XXX	0496-3	46,425
Boston College: Quality Management in Cash and Counseling: Year Two	93.XXX	5000783-6	43,247
Butler County Educational Service Center: Evaluation of Butler County Success Program	93.XXX	--	37,266
Department of Health and Human Services: ATM Education Abstinence 'til Marriage Education CBAE Education	93.01	--	13,670
Florida State University: Employment in the Long-Term Care Industry: The Importance of Recruitment and Retention	93.048	--	128
Florida State University: Employment in the Long-Term Care Industry: The Importance of Recruitment and Retention	93.048	R00593	29,839
ATM Education: Abstinence Til Marriage SPRANS Evaluation	93.11	--	2,001
HRSA: Abstinence Committed Education (ACE) Program of Southeast Ohio	93.11	--	19,461
Ross County Health District: Abstinence Committed Education (ACE) Program of Southeast Ohio	93.11	--	2,489
Massachusetts General Hospital: Mapping Genes for Neurocognitive Endophenotypes	93.242	R01-MH068498	132,433
Ohio Department of Mental Health: Effective Practice Integration Council	93.243	L965	22,729
Children's Research Institute: A Genetic Model of Urogenital Development and Obstruction	93.849	356004	65,008
Southwest Foundation: Genetics of Susceptibility to Helminthic Infection	93.865	R01 AI37091-04A2	121,895
Wright State University: Genetic and Environmental Influences on Childhood Growth	93.865	1 R01HD40377-01A1	<u>46,623</u>
Total U.S. Department of Health and Human Services—Pass-Through Programs			<u>583,214</u>
Total U.S. Department of Health and Human Services			<u>2,801,620</u>
Total Research and Development Cluster			<u>7,887,432</u>

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2006

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>INSTRUCTIONAL</b>			
U.S. Department of Housing and Urban Development: Facilities Construction Award	14.246	B-04-SP-OH-0620	\$ 111
National Aeronautics and Space Administration: Ohio Space Grant Consortium: Educational Liaison Staff	43.001	--	4,615
Institute of Museum and Library Services: The GREEN Teachers' Institute: Museum Resources for Teachers	45.301	ML-02-03-0603-03	16,835
National Science Foundation:			
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0401764	8,976
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0456089	50,912
The Conference on Banach Spaces and their Applications in Analysis	47.049	DMS-0552245	25,322
Computer Science, Engineering and Mathematics Scholarships	47.076	DUE-0422418	<u>63,961</u>
Total National Science Foundation—Direct Programs			149,171
Pass-Through Programs From:			
Ohio State University Research Foundation (OSURF): Ohio Consortium for Undergraduate Research— Research Experiences to Enhance Learning	47.049	CHE-05322560	21,904
OSURF: Ohio Consortium for Undergraduate Research—Research Experiences to Enhance Learning	47.049	CHE-05322560	5,296
Georgia State University: Workshop in Combinatorial Chemistry	47.076	ELT48-14	10,432
Ohio State University: The Ohio Science and Engineering Alliance	47.076	P.O. RF00988893 PROJ 745926	11,631
Ohio State University: The Ohio Science and Engineering Alliance	47.076	P.O. RF00988893 PROJ 745926	<u>15,537</u>
Total National Science Foundation—Pass-Through Programs			<u>64,800</u>
Total National Science Foundation			<u>213,971</u>
U.S. Department of Education:			
Building Bridges to Global Citizenship Through Latin American Studies at Miami University	84.016	P016A040054	45,749
Geopolitical and Cultural Transitions: Russian and Eurasian Studies at Miami University	84.016	P016A050093	25,572
Developing Faculty Learning Communities to Transform Campus Culture for Learning	84.116	P116B010714	33,799
INTERGERO: Implementation of an International Interdisciplinary Program in Gerontology	84.116	P116J040039	32,080
McGuffey Hall Technology Upgrades and Equipment	84.116	P116Z040034	645,122
First Mover to Prime Mover: A Plan for Miami University Richard T. Farmer School of Business to Advance into the 21st Century	84.153	P153A040005	53,469
Miami University Campis Grant	84.334	P335A050375	21,835
Ohio Writing Project	84.928	92-OH01	<u>14,693</u>
Total U.S. Department of Education—Direct Programs			872,319

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2006

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>INSTRUCTIONAL (Continued)</b>			
U.S. Department of Education (Continued)			
Pass-Through Programs From:			
Fulbright-Hays: Exploring the Silk Road: The Power of Travel, Exploration and Boundary Crossing As A Device for Promoting and Creating Interdisciplinary, Interregional, and International Studies	84.021	PO21A050093	\$ 68,822
Ohio Department of Education: HQT Professional Development Seminars	84.027	062984-6B-SR-06	5,074
Ohio Department of Education: Southwest Ohio Science Institutes, Grades 3-6	84.027	CI667-OSCI-11-06	37,642
Fairfield City Schools: America's Journey: The Quest for Freedom 1492-1836	84.215	--	35,566
Hamilton City Schools: America's Journey: The Quest for Freedom 1492-1824	84.215	475-02-03	188,892
Ohio Board of Regents (OBOR): Across the Curriculum Environmental Science to Attain Ohio Elementary School Academic Content Standards and Achievement Test Outcomes	84.336	17-May	18,751
OBOR: iDiscovery: Sustaining Professional Development Through Web-Based Learning Communities	84.336	18-May	303
OBOR: Sustaining Professional Development through Web-Based Learning Communities	84.336	22-Apr	196,910
OBOR: Reaching Academic Mathematics Proficiency	84.336	26-Mar	3,483
OBOR: Across the Curriculum Environmental Science to Attain Ohio Elementary School Academic	84.336	23-Apr	147,567
Ohio Department of Education (ODE): OSCI 7-10 Meeting the Challenge	84.366	3D2G-200-667-OSCI-04DR-02	530,004
ODE: OSCI 7-10 Program	84.366	CI667-OSCI-12-06	1,130,501
ODE: Meeting Highly Qualified Teacher Requirements for High School Intervention Specialists	84.367	--	54,398
ODE: Teacher Candidate Assessment System	84.367	--	9,695
Ohio Board of Regents (OBOR): Advancing Ohio's Physical Science Proficiency II	84.367		983
OBOR: Advancing Ohio's Physical Science Proficiency IV	84.367	20-May	39,401
OBOR: Advancing Ohio's Science Proficiency III	84.367	24-Apr	242,257
OBOR: From Misconceptions to Illumination: Using Plants to Support Biological Education	84.367	19-May	4,975
Total U.S. Department of Education—Pass-Through Programs			<u>2,715,224</u>
Total U.S. Department of Education			<u>3,587,543</u>
Department of Health and Human Services:			
Pass-Through Programs From:			
Case Western Reserve University: Improving Quality of Geriatric Care for the Chronically III	93.969	2 D31 HP-70113-06	3,808
Total Instructional			<u>3,826,883</u>
<b>PUBLIC SERVICE</b>			
U.S. Department of Transportation:			
Pass-Through Programs From:			
Ohio Department of Public Safety: Countywide OVI Task Force Program	20.215	5078	60,840
National Endowment for the Arts:			
Pass-Through Programs From:			
New England Foundation for the Arts: Ballet NY	45.024	10227	4,000
Heartland Arts Fund: Performing Arts Series 2006	45.025	FY06-495 FY06-484	8,750
Total National Endowment for the Arts			<u>12,750</u>

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2006

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>PUBLIC SERVICE (Concluded)</b>			
U.S. Department of Education:			
Ohio Department of Education: Mental Health for School Success	84.027	062984-6B-PB-06P	\$ 158,779
Department of Health and Human Services:			
Drug Free Communities Support Program	93.276	1 H79 SP12988-01	63,182
Pass-Through Programs From:			
Ohio Department of Mental Health: Ohio Mental Health Network for School Success	93.958	125-CS-06-01	98,120
CRP, Incorporated: Town Hall Meeting on Underage Drinking	93.959	--	1,000
Ohio Department of Alcohol and Drug Addiction Services (ODADAS): Drug Free Community Coalition	93.959	99-08040-COMMCO--05-0026	103
ODADAS: Miami University High Risk Drinking Prevention Initiative	93.959	99-08040-HEDUC-P-06-9726	12,068
ODADAS: Oxford Drug Free Community Coalition	93.959	99-08040-CMMCO-P-06-0026	41,198
Total Department of Health and Human Services—Pass-Through Programs			<u>152,489</u>
Total Department of Health and Human Services			<u>215,671</u>
Total Public Service			<u>448,040</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b><u>\$21,479,392</u></b>

(Concluded)

# MIAMI UNIVERSITY

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

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### 1. BASIS OF ACCOUNTING

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

The dollar threshold used to distinguish between Type A and Type B Programs was \$644,382.

### 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, 2006, under the Federal Perkins Loan Program were \$7,549,244. New Federal Perkins Loans of \$1,754,305 were advanced to students in 2006. The University did not receive a federal capital contribution or make a matching contribution to the Federal Perkins Loan fund in 2006. Administrative and collection costs for the Federal Perkins Loan Program were \$2,069,885 in 2006.

### 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, 2006, were as follows:

Federal Direct Student Loan Program:

Stafford:	
Subsidized	\$ 24,114,817
Unsubsidized	16,612,705
PLUS	17,806,385

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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 Betty Montgomery, Auditor of State of Ohio:

We have audited the financial statements of Miami University (the "University") as of and for the year ended June 30, 2006, and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

### **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 6, 2006.

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.

*Deloitte & Touche LLP*

October 6, 2006

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

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

### Compliance

We have audited the compliance of Miami University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The University's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 provided a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

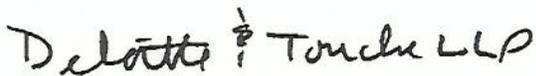
In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of Trustees and management of the University, the 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 6, 2006

# MIAMI UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2006

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### Part I—Summary of Auditors' Results

#### *Financial Statements*

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

#### *Federal Awards*

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

#### Identification of major programs:

CFDA Number	Name of Federal Program or Cluster Number
Various	Student Financial Aid Cluster
84.366	ODE: OSCI 7-10 Program
84.116	McGuffey Hall Technology Upgrades and Equipment

Dollar threshold used to distinguish between Type A and Type B programs	\$644,382
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

# MIAMI UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2006 (Concluded)

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### Part II—Financial Statements Findings

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

No matters are reportable.

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

No matters are reportable.



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

*Financial Statements for the Years Ended  
June 30, 2006 and 2005, 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 Betty Montgomery, Auditor of State of Ohio:

We have audited the accompanying statements of net assets of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the management of the Station. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 University'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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3–6 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 16, 2006, 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.

Deloitte & Touche LLP

November 16, 2006

# WMUB RADIO

## Management's Discussion and Analysis

### Introduction

The following discussion and analysis provides an overview of the financial position and activities of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") for the years ended June 30, 2006 and 2005. 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. These financial statements are prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements—and Management Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statement No. 37 and 38. These statements establish standards for external financial reporting and provide a consolidated perspective of the Station's assets, liabilities, net assets, revenues, expenditures and cash flows.

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

In addition to the consolidation of the financial information, other significant changes to the financial statements include:

- Assets are categorized as either current or noncurrent. Current assets will be consumed or fulfilled within one year.
- Depreciation expense is reported as an operating expense.

### Financial Highlights

#### Fiscal Year 2006

Overall, the Station's financial position remained strong at June 30, 2006, with total assets of \$859,188. Revenue from local sources (membership and underwriting) increased overall. Membership was slightly down, while underwriting increased considerably. While overall Miami University support increased, fiscal year 2006 saw the first year of a phased reduction in Miami University's non-salary cash support.

#### Fiscal Year 2005

Overall, the Station's financial position remained strong at June 30, 2005, with total assets of \$852,653. Revenue from the State of Ohio through the Ohio Educational Telecommunications Network Commission grants remained at lower levels than in some past years, but local fundraising was up.

## 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 institution 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.

<b>Assets</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Current assets	\$ 462,262	\$ 409,282	\$ 423,088
Capital assets—net	<u>396,926</u>	<u>443,371</u>	<u>313,671</u>
Total assets	<u>\$ 859,188</u>	<u>\$ 852,653</u>	<u>\$ 736,759</u>
<b>Net Assets</b>			
Invested in capital assets	\$ 396,926	\$ 443,371	\$ 313,671
Unrestricted net assets	<u>462,262</u>	<u>409,282</u>	<u>423,088</u>
Total net assets	<u>\$ 859,188</u>	<u>\$ 852,653</u>	<u>\$ 736,759</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 an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from the eTech Ohio for Learning. 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).

	2006	2005	2004
Operating revenues	\$ 331,485	\$ 294,030	\$ 309,082
Nonoperating revenues	1,377,526	1,283,081	1,279,558
Other revenues		74,061	23,154
<b>Total revenues</b>	<u>1,709,011</u>	<u>1,651,172</u>	<u>1,611,794</u>
Operating expenses	1,702,476	1,535,278	1,464,213
<b>Total expenses</b>	<u>1,702,476</u>	<u>1,535,278</u>	<u>1,464,213</u>
<b>Increase in net assets</b>	<u>\$ 6,535</u>	<u>\$ 115,894</u>	<u>\$ 147,581</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.

	2006	2005	2004
Net cash used by operating activities	\$ (973,329)	\$ (876,455)	\$ (818,034)
Net cash provided by noncapital activities	1,036,009	960,451	972,648
Net cash used for capital and related financing	<u>(9,700)</u>	<u>(97,802)</u>	<u>(13,797)</u>
Net increase (decrease) in cash equivalents	52,980	(13,806)	140,817
Cash equivalents at beginning of year	<u>409,282</u>	<u>423,088</u>	<u>282,271</u>
Cash equivalents at end of year	<u>\$ 462,262</u>	<u>\$ 409,282</u>	<u>\$ 423,088</u>

## Economic Factors That Will Affect the Future

Station management believes that while the Station enjoyed positive numbers in fiscal year 2006, declines in some historic areas of support lead to concerns for fiscal year 2007 and beyond. After several years of growth, membership revenue declined in fiscal year 2006, though local underwriting is moving more toward industry-standard levels. Corporation for Public Broadcasting support likely peaked in fiscal year 2006 and will decline in fiscal year 2007 and likely in future years. Fiscal year 2007 will also reflect continuing declines in Miami University's non-salary cash support as this source moves toward zero at some point in the future. On the positive side, audience figures from Arbitron continue to show listening levels that should sustain modest or even significant local fundraising increases, according to national benchmarks.

In fiscal year 2005 the Station received a grant from the Corporation for Public Broadcasting which when matched enabled the Station to sign on with a new digital (HD) signal. HD radio has not yet penetrated the marketplace but is expected to be significant within a few years. Despite full implementation of this new technology, it appears that the Station is not well positioned for success with HD due to gaps in the Station's signal pattern that affect HD radio more than traditional analog. The Station is working with NPR and other affected stations to come up with solutions to the problem.

Overall the Station's financial position is strong as of June 30, 2006, but the next two fiscal years especially 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, 2006 AND 2005

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<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
CURRENT ASSETS—		
Net accounts receivable from Miami University	\$ 462,262	\$ 409,282
NONCURRENT ASSETS—		
Capital assets, net of \$726,798 and \$670,653 in accumulated depreciation for 2006 and 2005, respectively	<u>396,926</u>	<u>443,371</u>
TOTAL	<u>\$ 859,188</u>	<u>\$ 852,653</u>
 <b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS	\$ 396,926	\$ 443,371
UNRESTRICTED NET ASSETS	<u>462,262</u>	<u>409,282</u>
TOTAL	<u>\$ 859,188</u>	<u>\$ 852,653</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, 2006 AND 2005**

	2006	2005
OPERATING REVENUES:		
Corporation for Public Broadcasting Grant	\$ 178,767	\$ 160,160
Ohio Humanities Grant		7,488
In-kind contributions—Ohio Educational Telecommunications	117,471	90,692
Ohio Educational Telecommunications ("OET") Grant	<u>35,247</u>	<u>35,690</u>
Total operating revenues	<u>331,485</u>	<u>294,030</u>
OPERATING EXPENSES:		
Program services:		
Programming and production	793,841	688,127
Broadcasting	102,453	101,578
Program information	<u>60,132</u>	<u>49,039</u>
Total program services	<u>956,426</u>	<u>838,744</u>
Supporting services:		
Administrative support	341,517	322,630
Management and general	259,084	252,479
Fund raising	65,808	57,399
Underwriting	23,496	21,863
Depreciation	<u>56,145</u>	<u>42,163</u>
Total supporting services	<u>746,050</u>	<u>696,534</u>
Total operating expenses	<u>1,702,476</u>	<u>1,535,278</u>
NET OPERATING LOSS	<u>(1,370,991)</u>	<u>(1,241,248)</u>
NONOPERATING REVENUES:		
Appropriation from Miami University	709,293	668,698
Donated facilities and administrative support	341,517	322,630
Membership revenue	230,227	244,785
Business and underwriting support	74,801	34,508
Net revenue from special fund raising activity	4,435	42
Foundations and nonprofits	17,173	12,058
Other	<u>80</u>	<u>360</u>
Total nonoperating revenues	<u>1,377,526</u>	<u>1,283,081</u>
INCOME BEFORE OTHER REVENUES	6,535	41,833
OTHER REVENUES—		
CPB Digital Conversion Grant		<u>74,061</u>
INCREASE IN NET ASSETS	6,535	115,894
NET ASSETS—Beginning of year	<u>852,653</u>	<u>736,759</u>
NET ASSETS—End of year	<u>\$ 859,188</u>	<u>\$ 852,653</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, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Corporation for Public Broadcasting Grant	\$ 178,767	\$ 160,160
Receipts from Ohio Educational Telecommunications Grant	35,247	35,690
Receipts from Ohio Humanities Grant		7,488
Payments for programming and production	(676,370)	(597,435)
Payments for broadcasting	(102,453)	(101,578)
Payments for program information	(60,132)	(49,039)
Payments for management and general	(259,084)	(252,479)
Payments for fund raising	(65,808)	(57,399)
Payments for underwriting	(23,496)	(21,863)
	<u>(973,329)</u>	<u>(876,455)</u>
Net cash used by operating activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Appropriation from Miami University	709,293	668,698
Membership revenue	230,227	244,785
Business and underwriting support	74,801	34,508
Foundations and nonprofits	17,173	12,058
Net revenue from special fundraising activities	4,435	42
Other	80	360
	<u>1,036,009</u>	<u>960,451</u>
Net cash provided by noncapital financing activities		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Grants for capital purposes		74,061
Payments to purchase capital assets	(9,700)	(171,863)
	<u>(9,700)</u>	<u>(97,802)</u>
Net cash used by capital and related financing activities		
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	<b>52,980</b>	<b>(13,806)</b>
<b>CASH EQUIVALENTS:</b>		
Beginning of year	<u>409,282</u>	<u>423,088</u>
End of year	<u>\$ 462,262</u>	<u>\$ 409,282</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Net operating loss per statements of revenues, expenses and changes in net assets	\$ (1,370,991)	\$ (1,241,248)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	56,145	42,163
Donated facilities and administrative support	341,517	322,630
	<u>397,662</u>	<u>364,793</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (973,329)</b>	<b>\$ (876,455)</b>

See notes to financial statements.

**WMUB RADIO**  
**(A NONCOMMERCIAL PUBLIC RADIO STATION OWNED AND OPERATED BY**  
**MAMI UNIVERSITY)**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Net Accounts Receivable from Miami University**—Miami University maintains cash accounts that support the operations of the Station. All of the Station’s receipts and disbursements are reflected in these accounts, as the Station does not maintain its own separate account. As a result, the Station has net accounts receivable or payable from Miami University. For the purposes of the 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**—GASB Statement No. 34 and 35 were adopted in the fiscal year ended June 30, 2002. GASB Statements No. 34 and 35 require net assets to be divided 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 institution, but the use or purpose of the funds is restricted by an external source or entity. The Station does not have any restricted net assets. The third category is unrestricted net assets, which are available to be used for any lawful purpose of the Station.

**Revenue Recognition**—Grants or contributions that reimburse the Station for expenses incurred are deemed to be earned and are reported as revenue when the Station has incurred expenses in compliance with the specific restrictions of the grant. Certain 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, 2006 and 2005, are summarized as follows:

	2006			June 30, 2006 Ending Balance
	July 1, 2005 Beginning Balance	Additions	Retirements	
Capital assets:				
Building, antenna and tower	\$ 330,386	\$ -	\$ -	\$ 330,386
Studio and broadcast equipment	<u>783,638</u>	<u>9,700</u>	<u>          </u>	<u>793,338</u>
	1,114,024	9,700		1,123,724
Less: accumulated depreciation	<u>670,653</u>	<u>56,145</u>	<u>          </u>	<u>726,798</u>
Capital assets—net	<u>\$ 443,371</u>	<u>\$ (46,445)</u>	<u>\$ -</u>	<u>\$ 396,926</u>

	2005			June 30, 2005 Ending Balance
	July 1, 2004 Beginning Balance	Additions	Retirements	
Capital assets:				
Building, antenna and tower	\$ 330,386	\$ -	\$ -	\$ 330,386
Studio and broadcast equipment	<u>611,775</u>	<u>171,863</u>	<u>          </u>	<u>783,638</u>
	942,161	171,863		1,114,024
Less: accumulated depreciation	<u>628,490</u>	<u>42,163</u>	<u>          </u>	<u>670,653</u>
Capital assets—net	<u>\$ 313,671</u>	<u>\$ 129,700</u>	<u>\$ -</u>	<u>\$ 443,371</u>

## 3. INCOME TAXES

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

\* \* \* \* \*

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

Board of Trustees of Miami University  
and Betty Montgomery, 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, 2006, and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

*Deloitte & Touche LLP*

November 16, 2006



# *Miami University*

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

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

We have performed the procedures below, which were agreed to by the administration of Miami University (the “University”), with respect to the accounting records of the University as of June 30, 2006, solely to assist you in evaluating whether the accompanying statement of revenues and expenditures (“statement”) is in compliance with the National Collegiate Athletic Association’s (the “NCAA”) Bylaw 6.2.3.1 for the year ended June 30, 2006. Miami University’s management is responsible for the statement and the statement’s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

The procedures that we performed are as follows:

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

- We compared and agreed each operating revenue and expense category reported in the statement during the reporting period to supporting schedules provided by the University.
- We compared and agreed a random sample of operating revenue receipts and expenses obtained from the operating revenues and expenses supporting schedules to supporting documentation provided by the University.
- We compared each major revenue and expense account amount to prior period amounts provided by the University. We obtained and documented an understanding of any significant variations on a test basis. 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.

## **Revenues**

- *Ticket Sales*—We compared on a test basis tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenues reported by the University in the statement and the related attendance figures and recalculated totals. The total amount of ticket sales from the supporting schedule did not agree to the amount reflected in the statement by \$432.

- *Student Fees*—We compared and agreed student fees reported in the statement to student enrollment information. We obtained an understanding of the University’s methodology for allocating student fees to intercollegiate athletics programs and recalculated the totals.
- *Guarantees*—We selected a random sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the amount recorded for the guarantee in the University’s general ledger and/or the statement. We recalculated totals.
- *Contributions*—We obtained the supporting schedule for contributions of moneys, goods, or services received directly by the intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals and noted that no contributions exceeded 10% or more of all contributions received for intercollegiate athletics during the reporting periods.
- *Direct State or Other Governmental Support*—We compared the direct state and other governmental support recorded by the University during the reporting period with institutional authorizations and/or other corroborative supporting documentation on a test basis and recalculated totals.
- *Direct Institutional Support*—We compared the direct institutional support recorded by the University during the reporting period with institutional authorizations and/or other corroborative supporting documentation on a test basis and recalculated totals.
- *Indirect Facilities and Administrative Support*—We compared the indirect facilities and administration support recorded by the University during the reporting period with institutional authorizations and/or other corroborative supporting documentation on a test basis and recalculated totals.
- *NCAA/Conference Distributions Including All Tournaments*—We obtained and read agreements related to the University’s NCAA and conference distributions received during the reporting period to gain an understanding of the relevant terms and conditions on a test basis. We compared and agreed the related revenues to the University’s general ledger, and/or the statement on a test basis and recalculated totals.
- *Broadcast, Television, Radio, and Internet Rights*—We obtained and read agreements related to broadcast, television, radio, and internet rights during the reporting period to gain an understanding of the relevant terms and conditions on a test basis. We compared and agreed the related revenues to the University’s general ledger, and/or the statement on a test basis and recalculated totals. We noted via our review of supporting documentation, that, due to the timing of the broadcast revenue received from the Mid American Conference, the amount recorded in this revenue category related to fiscal year 2005, not fiscal year 2006.
- *Program Sales, Concessions, Novelty Sales, and Parking*— We compared and agreed on a test basis, amounts for general ledger operating receipts to supporting documentation.
- *Royalties, Advertisements, and Sponsorships*—We obtained and read, on a test basis, agreements related to the University’s revenues from royalties, advertisements, and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University’s general ledger and/or the statement on a test basis and recalculated totals.

- *Sports Camp Revenues*—We obtained and read on a test basis agreements related to institutional sports camps during the reporting period to obtain an understanding of the institution’s methodology for recording sports camp revenues. We obtained schedules of camp participants and selected a random sample of camp participant cash receipts on a test basis and agreed the related revenues to the University’s general ledger and/or the statement and recalculated totals.
- *Endowment and Investment Income*—We compared and agreed on a test basis the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreements, if available and recalculated totals.
- *Other*— We compared and agreed on a test basis, general ledger other income receipts to supporting documentation.

## Expenses

- *Athletic Student Aid*—We selected a random sample of students from the listing of institutional student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals.
- *Guarantees*—We obtained and read contractual agreements pertaining to expenses recorded by the institution from guaranteed contests during the reporting period on a test basis. We compared and agreed related amounts expensed by the institution to the institution's general ledger and/or the statement on a test basis and recalculated totals.
- *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities*—We obtained and read a listing of coaches employed by the institution and related entities during the reporting period. We selected a random sample of coaches' contracts from this listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statement during the reporting period on a test basis. 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 coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period on a test basis and recalculated totals.
- *Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities*—We selected a random sample of support staff/administrative personnel employed by the University and related entities during the reporting period. We obtained and read W-2's or 1099's for each selection. We compared and agreed related W-2's or 1099's to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period on a test basis and recalculated totals.
- *Recruiting and Team Travel*—We obtained and documented an understanding of the University's recruiting and team travel expense policies. We compared and agreed to existing institutional and NCAA related policies.
- *Indirect Facilities and Administrative Support*—We obtained an understanding of the University's methodology for allocating indirect facilities costs. We summed the indirect facilities-support and indirect institutional-support totals reported by the University in the statement. We compared and agreed indirect facilities and administrative support reported by the University in the statement to the corresponding revenue category and recalculated totals.
- *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 compared and agreed on a test basis, general ledger expenses to supporting documentation. We compared each major expense account to prior period amounts and investigated significant fluctuations.

## Capitalized Assets

- 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.

## Agreed-Upon Procedures Related to the Internal Control Over Compliance

Our procedures and results are as follows:

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

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

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

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

*Deloitte ; Touche LLP*

February 15, 2007

MIAMI UNIVERSITY

EXHIBIT A

INTERCOLLEGIATE ATHLETICS DEPARTMENT  
STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

	Men's Basketball	Men's Football	Women's Basketball	Other Sports	Non-Program Specific	2006 Total
REVENUES:						
Ticket sales	\$ 204,027	\$ 575,425	\$ 5,933	\$ 155,485	\$	\$ 940,870
Student fees	586,659	2,157,369	789,594	5,598,302	1,525,280	10,657,204
Guarantees	35,000	500,000	1,000	23,240		559,240
Contributions	95,980	77,696	39,316	187,189	339,442	739,623
Direct state or other government support		606			1,148	1,754
Direct institutional support	86,664	579,334	105,726	1,761,870	1,095,746	3,629,340
Indirect facilities and administrative support					696,363	696,363
NCAA/Conference distributions including all tournament revenues		218,740		67,259	868,747	1,154,746
Broadcast, television, radio, and internet rights	5,000	33,000				38,000
Program sales, concessions, novelty sales, and parking	9,743	96,459		4,772	70,813	181,787
Royalties, advertisements, and sponsorships				1,602	706,964	708,566
Sports camp revenues	105	8,485	796	10,393	965,893	985,672
Endowment and investment income	14,137	15,489	224	100,542	307,962	438,354
Other	13,773	10,600	35,485	217,012	131,391	408,261
<b>Total revenue</b>	<b>1,051,088</b>	<b>4,273,203</b>	<b>978,074</b>	<b>8,127,666</b>	<b>6,709,749</b>	<b>21,139,780</b>
EXPENSES:						
Athletic student aid	295,108	2,081,001	313,899	3,597,343	244,981	6,532,332
Guarantees	9,000	40,000	1,600	4,012		54,612
Coaching salaries, benefits, and bonuses paid by the University and related entities	364,859	946,507	313,138	1,881,798		3,506,302
Support-staff/administrative salaries, benefits, and bonuses paid by the University and related entities	35,280	174,892	29,950	25,049	2,771,151	3,036,322
Recruiting	86,056	151,798	48,763	272,920	119,906	679,443
Team travel	106,777	224,965	187,453	955,610	95,535	1,570,340
Equipment, uniforms, and supplies	30,834	218,818	10,268	360,756	144,373	765,049
Game expenses	41,474	92,227	40,045	117,994	51,672	343,412
Fund raising, marketing, and promotion	2,576	14,957	3,998	33,890	151,073	206,494
Sports camps					1,011,281	1,011,281
Direct facilities, maintenance, and rental	22,628	87,573	5,132	74,086	112,909	302,328
Spirit groups					41,503	41,503
Indirect facilities and administrative support					696,363	696,363
Medical expenses and medical insurance	3,615	30,277	5,247	154,192		193,331
Memberships and dues	1,280		145	7,282	390,969	399,676
Other operating expenses	51,601	210,188	18,436	642,734	1,198,681	2,121,640
<b>Total expenses</b>	<b>1,051,088</b>	<b>4,273,203</b>	<b>978,074</b>	<b>8,127,666</b>	<b>7,030,397</b>	<b>21,460,428</b>
Excess of revenues over expenses	\$	\$	\$	\$	\$ (320,648)	\$ (320,648)

# MIAMI UNIVERSITY INTERCOLLEGIATE ATHLETICS DEPARTMENT

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

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### 1. SUMMARY OF PRESENTATION POLICIES

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, temporarily restricted, or permanently restricted dependent upon any donor-imposed restrictions. Contribution revenue included in the statement of revenues and expenditures represent contributions given to the University's Athletics Department based on donor's instructions.

There were no individual contributions in excess of 10% of all contributions received for the Intercollegiate Athletic Department for the year ended June 30, 2006.

### 4. OTHER FORMS OF COMPENSATION

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

## 5. PROPERTY, PLANT, AND EQUIPMENT

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

\* \* \* \* \*



## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Finance and Audit Committee of the Board of Trustees  
Miami University  
Oxford, Ohio

We have performed the procedures enumerated below, which were agreed to by Miami University (the "University") and the State of Ohio, Department of Commerce, Division of Liquor Control ("the Division"), solely to assist you and the Division with respect to calculating Marcum Conference Center ("Marcum") alcohol sales as a percentage of Marcum banquet sales, under the Ohio Revised Code Section 4303.181(I)(6) regarding independent audits of D5I permit holders, for the year ended June 30, 2006. The University's management is responsible for its sales records and compliance with the Ohio Revised Code. 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:

1. D&T obtained background information to gain familiarity with the D5i liquor license requirements and the agreed upon procedures to be performed.
2. D&T obtained the Marcum Daily Control Report for the fiscal year ended June 30, 2006 ("DCR") and a screen print of the University's general ledger system ("Banner") form FGIBDSR for the fiscal year ended June 30, 2006 Index, MCF002, revenue accounts 252309 and 252310.
3. D&T summed the DCR Banquets Sales and DCR UBI Banquet year-to-date columns, which totaled \$1,004,431.57.
4. D&T excluded the Marcum alcohol revenue, included in UBI Banquet Sales in the DCR, of \$84,217.93 from the amount calculated in Step 3, which amounted to a revised revenue amount of \$920,213.64. D&T then calculated the sum of revenue accounts 252309 and 252310 on the Banner form FGIBDSR, which amounted to \$906,215.42. The difference between the revised revenue amount per the DCR of \$920,213.64 and the revenue per Banner form FGIBDSR of \$906,215.42 is \$13,998.22.
5. D&T summed the Banquet Related, Banquet Related Tax Exempt, Banquet Unrelated, Banquet Unrelated Tax Exempt, and Marcum Alcohol year-to-date columns per the DCR to calculate total Banquet Revenue of \$948,146.42.
6. D&T divided Marcum's total alcohol sales of \$84,217.93 by Marcum's total Banquet Revenue of \$948,146.42, which resulted in 8.88 percent.

7. Marcum's total alcohol sales as a percentage of banquet revenue of 8.88 percent is less than 25 percent.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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 is intended solely for the information and use of the Finance and Audit Committee of the Board of Trustees, management and the State of Ohio, Department of Commerce, Division of Liquor Control, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte ; Touche LLP*

September 8, 2006



**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  
MARCH 20, 2007**