Ohio University
Telecommunications Center
A Public Telecommunications Entity
(A Department of Ohio University)

Financial Statements for the Years
Ended June 30, 2003 and 2002 and
Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Ohio University

We have reviewed the Independent Auditor's Report of the Ohio University Telecommunications Center, Athens County, prepared by Deloitte & Touche LLP for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 12, 2004

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OHIO UNIVERSITY TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ohio University
and
The Honorable Betty Montgomery,
Auditor of the State of Ohio

We have audited the accompanying statement of net assets of the Ohio University Telecommunications Center (the "Center"), a public telecommunications entity (a department of Ohio University), as of June 30, 2003, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Ohio University's (the "University") management. The financial statements of the Center for the year ended June 30, 2002 were audited by other auditors whose report, dated February 21, 2003, expressed an unqualified opinion on those statements and included an explanatory paragraph that described the adoption of a new financial reporting model discussed in Note 1 to the financial statements.

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

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

The Management's Discussion and Analysis ("MD&A") on pages 3-7 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). This supplementary information is the responsibility of the Center's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2003 on our consideration of the University's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 26, 2004

OHIO UNIVERSITY
TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

The discussion and analysis of the Ohio University Telecommunications Center's (Center) financial statements provides an overview of the Center's financial activities for the fiscal years (FY) ended June 30, 2003 and June 30, 2002. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with Center management.

USING THIS REPORT

In June of 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This Statement requires a comprehensive look at the entity as a whole. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, which applies those standards to public colleges and universities. The Ohio University Telecommunications Center is a department of Ohio University, a public university. GASB has not yet developed accounting standards for presentation of auxiliary (or departmental) entities. For the purposes of this reporting the Center is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and 35. In addition the Center's accounting policies and practices conform to those permitted or allowed by the Corporation for Public Broadcasting, which generally follow published Governmental Accounting Standards.

The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year. The financial report includes basic financial statements that provide information on the Center: *the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows*.

This annual financial report includes the report of the independent auditors, this management's discussion and analysis, the three basic financial statements referenced above and notes to the financial statements.

FINANCIAL HIGHLIGHTS OF FY 2003

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Center as of the end of the fiscal year. It classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the date of the Statement. Current assets are those that are available to satisfy current liabilities.

Accounts receivable-related party represents amounts available in the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $1,434,245 and $2,421,582 for FY03 and FY02, respectively. The decrease of $987,337 relates primarily to a spend-down of unrestricted funds in the amount of $521,313 and expenditures of funds resulting in an increase to capital assets. The spend-down of unrestricted funds also primarily accounts for the decrease in the total net assets of $571,718. The spend-down occurred because of current year reductions in University Support due to budget constraints of Ohio University. The Center has responded by decreasing staff size by 3 employees and taking other necessary cost reduction measures.

The following chart depicts the breakdown of Assets, Liabilities and Net Assets for the Center for the years ended June 30, 2003 and 2002:

	2003	2002
Assets:		
Accounts receivable-related party	$1,434,245	$2,421,582
Capital assets, net	6,613,798	6,113,797
Deposit on capital assets		137,806
Total assets	$8,048,043	$8,673,185
Liabilities:		
Current liabilities	$ 167,452	$ 213,764
Noncurrent liabilities	266,730	273,842
Total liabilities	$ 434,182	$ 487,606
Net assets	$7,613,861	$8,185,579

The Net Assets are further displayed as follows:

	2003	2002
Invested in capital assets, net of related debt	$6,613,798	$6,113,797
Restricted expendable	949,468	1,499,874
Unrestricted	50,595	571,908
Total net assets	$7,613,861	$8,185,579

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the Center's results of operations for the years ended June 30, 2003 and June 30, 2002.

Operating Revenues

Charges for goods and services are recorded as operating revenues. In addition, certain grants are classified as operating revenues if they are not for capital purchases and are provided as a contract for services. Essentially this means that the Center is required by the grant to provide goods or services to the grantor of equal value to the value of the services or dollars received. Total operating revenues are $350,780 and $346,169 for FY03 and FY02, respectively.

NONOPERATING REVENUES

Nonoperating revenues include an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from the Ohio Educational Telecommunications Network Commission. Nonoperating revenues also include an appropriation, donated facilities, and administrative support from its licensee (Ohio University). Certain grants are also classified as nonoperating revenue if the Center is not required under the grant agreement to provide goods or services to the grantor of equal value to the services or dollars received. In-kind contributions of $1,496,938 and $1,796,334 for FY03 and FY02, respectively, are also included in nonoperating revenues as private gifts revenue. Total nonoperating revenues are $7,308,281 and $7,544,490 for FY03 and FY02, respectively.

CAPITAL GRANTS AND GIFTS

This category includes $76,278 and $806,968 for FY03 and FY02, respectively, in monies received from the U.S. Department of Commerce for the WOUB-TV transmitter replacement and $266,657 from the Public Broadcasting System for conversion to digital TV. In addition FY03 includes $13,541 in funds from The Ohio University Foundation for capital equipment purchases for the Center.

The following depicts total revenue by source for the years ending June 30, 2003 and June 30, 2002:

	2003	2002
Support from Ohio University	$3,699,529	$3,562,488
Grants and contracts	2,604,758	3,108,763
Sales and services	214,312	230,042
In-kind support	1,496,938	1,796,334
Total revenue by source	$8,015,537	$8,697,627

Operating Expenses

Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Center. In addition depreciation expense of $739,772 and $582,384 for FY03 and FY02, respectively, is shown as operating expense.

The following depicts operating expenses for the Center:

	2003	2002
Operating expenses:		
Program and supporting services	$7,847,483	$8,243,769
Depreciation	739,772	582,384
Total operating expenses	$8,587,255	$8,826,153

Change in Net Assets

Total change in net assets is as follows:

	2003	2002
Operating revenues	$ 350,780	$ 346,169
Nonoperating revenues	7,308,281	7,544,490
Capital grants and gifts	356,476	806,968
Operating expenses	(8,587,255)	(8,826,153)
Decrease in net assets	(571,718)	(128,526)
Beginning net assets	8,185,579	8,314,105
Ending net assets	$ 7,613,861	$ 8,185,579

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the major sources and uses of cash. The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the Statement of Net Assets as accounts receivable – related party. For purposes of the Statement of Cash Flows, this account is considered a cash equivalent.

The four categories of presentation and their respective FY03 and FY02 amounts are:

	2003	2002
Net cash used in operating activities	$ (5,905,877)	$ (6,083,045)
net cash provided by noncapital financing activities	5,811,343	5,748,157
Net cash used in capital financing activities	(892,803)	(1,002,677)
Net cash provided by investing activities		
Net decrease in cash	(987,337)	(1,337,565)
Cash equivalents, beginning of year	2,421,582	3,759,147
Cash equivalents, end of year	$ 1,434,245	$ 2,421,582

CAPITAL ASSETS

Digital Conversion

WOUB-DT/27 signed on the air with equipment testing on February 11, 2003. Program testing-broadcasting the PBS High Definition loop began April 8, 2003. The tower for WOUC's digital conversion is expected to be complete in the spring or early summer of calendar year 2004. The WOUC-TV/DT tower project is $2.6 million. The funding for this project is $1,273,415 in state funds and $284,000 of funds received in FY02 from the Ohio Educational Telecommunications Network Commission. The remaining $1,050,547 is being provided by the U.S. Department of Commerce (NTIA/PTFP) and Ohio University.

The total capital costs associated with conversion to digital are expected to be $9.5 million for pass-through, master control, and editing. The total cost for full High Definition/Multi-channel Television (HDTV), one channel equipped, is expected to be an additional $8.3 million.

Adding additional Standard Definition Television (SDTV) channels will vary widely in cost, depending upon the service provided. For example, if a pass-through satellite service is used on a selected channel, the cost would be minimal, in the range of $10,000. If a distance learning channel(s) is added, the cost would be dependent upon the type of service provided and whether additional classrooms are needed. The cost could range from $50,000 to $300,000 per channel. Through December 5, 2003, the Center has expended $7.8 million. This figure represents equipment usable in the digital transition, capital matching grants, and $3 million in state DTV appropriations.

OHIO UNIVERSITY TELECOMMUNICATIONS CENTER
A Public Telecommunications Entity
(A Department of Ohio University)

STATEMENTS OF NET ASSETS
JUNE 30, 2003 AND 2002

ASSETS	**2003**	**2002**
CURRENT ASSETS—		
Accounts receivable-related party	$1,434,245	$2,421,582
NONCURRENT ASSETS:		
Capital assets—net	6,613,798	6,113,797
Deposit on capital assets		137,806
Total noncurrent assets	6,613,798	6,251,603
TOTAL	$8,048,043	$8,673,185

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES—		
Accounts payable and accrued liabilities	$ 167,452	$ 213,764
NONCURRENT LIABILITIES—		
Accrued compensated absences	266,730	273,842
Total liabilities	434,182	487,606
NET ASSETS:		
Invested in capital assets—net of related debt	6,613,798	6,113,797
Restricted—		
Expendable—		
Public service	949,468	1,499,874
Unrestricted	50,595	571,908
Total net assets	7,613,861	8,185,579
TOTAL	$8,048,043	$8,673,185

See notes to financial statements.

OHIO UNIVERSITY TELECOMMUNICATIONS CENTER

A Public Telecommunications Entity

(A Department of Ohio University)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
REVENUES—		
Operating revenues:		
Federal grants and contracts	$ 54,832	$ 25,000
State grants and contracts	62,961	91,127
Private grants and contracts	18,675	
Sales and services	214,312	230,042
Total operating revenues	350,780	346,169
EXPENSES—		
Operating expenses:		
Program and supporting services	7,847,483	8,243,769
Depreciation	739,772	582,384
Total operating expenses	8,587,255	8,826,153
OPERATING LOSS	(8,236,475)	(8,479,984)
NONOPERATING REVENUES:		
Support from Ohio University	3,699,529	3,562,488
Federal grants	21,338	20,310
Private gifts	3,587,414	3,961,692
NET NONOPERATING REVENUES	7,308,281	7,544,490
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(928,194)	(935,494)
CAPITAL GRANTS AND GIFTS	356,476	806,968
DECREASE IN NET ASSETS	(571,718)	(128,526)
NET ASSETS—Beginning of year	8,185,579	8,314,105
NET ASSETS—End of year	$ 7,613,861	$ 8,185,579

See notes to financial statements.

OHIO UNIVERSITY TELECOMMUNICATIONS CENTER

A Public Telecommunications Entity

(A Department of Ohio Unversity)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	$ 136,468	$ 116,127
Payments to suppliers	(2,544,564)	(2,922,695)
Payments to employees	(2,767,969)	(2,761,962)
Payments for benefits	(943,624)	(744,307)
Payments for scholarships and fellowships	(500)	(250)
Sales and services of educational departments	214,312	230,042
Net cash used in operating activities	(5,905,877)	(6,083,045)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Support from Ohio University	3,699,529	3,562,488
Gifts and grants for other than capital purposes	2,111,814	2,185,669
Net cash provided by noncapital financing activities	5,811,343	5,748,157
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	356,476	806,968
Purchases of capital assets	(1,249,279)	(1,809,645)
Net cash used in capital financing activities	(892,803)	(1,002,677)
NET INCREASE (DECREASE) IN CASH	(987,337)	(1,337,565)
CASH EQUIVALENTS—Beginning of year	2,421,582	3,759,147
CASH EQUIVALENTS—End of year	$ 1,434,245	$ 2,421,582
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES—		
Operating loss	$(8,236,475)	$ (8,479,984)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation expense	739,772	582,384
In-kind expenses	1,496,938	1,796,334
Loss on disposal of capital assets	9,506	4,930
CHANGES IN ASSETS AND LIABILITIES:		
Deposit on capital assets	137,806	(137,806)
Accounts payable	(46,312)	141,091
Accrued liabilities	(7,112)	10,006
NET CASH USED IN OPERATING ACTIVITIES	$(5,905,877)	$ (6,083,045)

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Ohio University Telecommunications Center (the "Center") is owned and operated by Ohio University, Athens, Ohio (the "University"). The Center manages two non-commercial public television stations, WOUB-TV in Athens, Ohio, and WOUC-TV in Cambridge, Ohio. The signal of WOUC-TV is repeated on transmitters in Millersburg and Loudonville, Ohio. The Center also manages six non-commercial public radio stations, WOUB-AM and WOUB-FM in Athens, Ohio; WOUC-FM in Cambridge, Ohio; WOUL-FM in Ironton, Ohio; WOUH-FM in Chillicothe, Ohio; and WOUZ-FM in Zanesville, Ohio. Among other services, the Center manages a Media Distribution Center for Ohio University, provides community outreach to 37 counties, programs WOUBII, Channel 25 on the Time Warner Cable system in Athens, and provides teleconferencing and engineering consulting services, along with audio and video production.

The Center is not a separate legal entity and operates as a department of Ohio University. The accompanying separate financial statements of the Center are prepared solely to meet the reporting requirements of the Corporation for Public Broadcasting, a major funding organization. These financial statements are included within the financial statements of the University. These financial statements include only the activities of the Center, and therefore they are not intended to present fairly the financial position, change in financial position, and cash flows of the University in conformity with accounting standards generally accepted in the United States of America.

Financial Statement Presentation—The financial statement presentation required by Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended, provides a comprehensive, department-wide (in this situation) perspective of the Telecommunications Center's assets, liabilities, net assets, revenues, expenses and changes in net assets and cash flows. It replaces fund-groups with net asset-groups, and requires the direct method of cash flow presentation.

Basis of Accounting—The University is a special-purpose government engaged only in business type activities. Accordingly, as a department of the University, the Center's financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded as incurred.

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

Capital Assets—If purchased or constructed, capital assets are recorded at cost or estimated historical cost in the year of purchase or construction. If donated, they are recorded at their estimated fair market value as of the date of gift. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

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

Asset class	Capitalize at	Estimated useful life
Land	Any amount	N/A
Land Improvements	$100,000 or more	N/A
Infrastructure	$100,000 or more	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	$2,500 or more	5-25 years
Vehicles	$2,500 or more	5-10 years

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend its life are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land and land improvements are not depreciated.

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

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

a. *Invested in Capital Assets*—This represents the Center's investment in capital assets.

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

c. *Unrestricted Net Assets*—Unrestricted net assets are resources derived primarily from operating funds provided by the University, which are designated for use by the Center.

The Center has no restricted nonexpendable net assets as of June 30, 2003.

Income Taxes—The University is an organization described in Section 115 of the Internal Revenue Code of 1986 (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. As such, the Center is exempt from income taxes other than taxes on certain revenues, which are considered unrelated business income.

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

a. *Operating Revenues*—Operating revenues include revenues from activities that have characteristics similar to exchange transactions. These include sales and services, and certain grants, which require that the Center provide goods or services to the grantor of equal value to the grant dollars received.

b. *Nonoperating Revenues*—Nonoperating revenues include revenues from activities that have characteristics of nonexchange transactions such as support from the University and certain grants, which do not require the Center to provide goods or services to the grantor of equal value to the grant dollars received.

Support from Ohio University—The University provides indirect support to the Center through its administration and physical plant support. Indirect support is recorded as revenue and expense as incurred in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Administrative support is derived from the percentage of certain of the Center's operating expenditures over Ohio University's total educational and general expenditures excluding separately budgeted research, public service, scholarships and fellowships. This percentage is applied against the University's overall institutional support to determine the administrative support expense to allocate to cost centers, based on their direct operating expenses.

Physical plant support is determined by an assessment of the square footage assigned the Center and the cost per square foot of providing types of physical plant support. Expenses are allocated to cost centers according to estimated square footage.

In-kind Support—In-kind support is provided by the Ohio Department of Education, the Educational Technology Services of Ohio, and the Ohio Educational Telecommunications Network Commission. These values are based upon statements provided by the respective agency. Expenses are allocated to cost centers based on the nature of the in-kind support provided. In-kind support is included in both revenues and expenses in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

Related Parties—Contributions received by The Ohio University Foundation (the "Foundation"), which are restricted as to use for the Center, are managed by the Foundation. The Center records cash received from the Foundation as both revenue and expense when monies are received from the Foundation to pay expenses.

The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the Statement of Net Assets as accounts receivable—related party. For purposes of the Statements of Cash Flows, this account is considered a cash equivalent.

2. CAPITAL ASSETS

Capital assets reported by the Center are assets of the State of Ohio, with the University having custodial responsibility. The building values have been prorated based upon the Center's percentage usage of the net assignable square footage applied to the actual cost plus improvements of the buildings. Equipment represents items listed on the University's general ledger as equipment for the Center with a unit value of at least $2,500 and an estimated useful life of five years or more.

The following tables present the changes in the various capital asset categories for the years ended June 30, 2003 and 2002:

	Balance June 30, 2002	Additions	Transfers In (Out)	Disposals	Balance June 30, 2003
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	1,984,764	283,683	(1,465,497)		802,950
Total capital assets not being depreciated	2,053,999	283,683	(1,465,497)	-	872,185
Capital assets being depreciated:					
Infrastructure	3,468,741				3,468,741
Buildings	3,078,780				3,078,780
Equipment	6,358,017	965,596	1,465,497	(359,602)	8,429,508
Total capital assets being depreciated	12,905,538	965,596	1,465,497	(359,602)	14,977,029
Total capital assets	14,959,537	1,249,279	-	(359,602)	15,849,214
Less accumulated depreciation:					
Infrastructure	1,515,161	118,145			1,633,306
Buildings	2,334,994	84,558			2,419,552
Equipment	4,995,585	537,069		(350,096)	5,182,558
Total accumulated depreciation	8,845,740	739,772	-	(350,096)	9,235,416
Total capital assets being depreciated—net	4,059,798	225,824	1,465,497	(9,506)	5,741,613
Capital assets—net	$ 6,113,797	$ 509,507	$ -	$ (9,506)	$ 6,613,798

	Balance June 30, 2001	Additions	Transfers In (Out)	Disposals	Balance June 30, 2002
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	235,867	1,748,897			1,984,764
Total capital assets not being depreciated	305,102	1,748,897	-	-	2,053,999
Capital assets being depreciated:					
Infrastructure	3,468,741				3,468,741
Buildings	3,078,780				3,078,780
Equipment	6,847,220	60,748		(549,951)	6,358,017
Total capital assets being depreciated	13,394,741	60,748	-	(549,951)	12,905,538
Total capital assets	13,699,843	1,809,645	-	(549,951)	14,959,537
Less accumulated depreciation:					
Infrastructure	1,435,497	79,664			1,515,161
Buildings	2,247,861	87,133			2,334,994
Equipment	5,125,019	415,587		(545,021)	4,995,585
Total accumulated depreciation	8,808,377	582,384	-	(545,021)	8,845,740
Total capital assets being depreciated—net	4,586,364	(521,636)	-	(4,930)	4,059,798
Capital assets—net	$ 4,891,466	$1,227,261	$ -	$ (4,930)	$ 6,113,797

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, consist of the following:

	2003	2002
Accounts payable	$ 127,410	$ 178,264
Accrued payroll	40,042	35,500
	$ 167,452	$ 213,764

4. ACCRUED COMPENSATED ABSENCES

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination they are entitled to a payout of their accumulated balances. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2003 and June 30, 2002, respectively, are $216,376 and $215,340.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50% of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2003 and June 30, 2002, respectively, are $50,354 and $58,502.

A summary of accrued compensated absences is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2003	$ 273,842	$ -	$ 7,112	$ 266,730
June 30, 2002	$ 299,336	$ -	$ 25,494	$ 273,842

* * * * * *

ADDITIONAL INFORMATION

Deloitte.

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

Board of Trustees
Ohio University
and
The Honorable Betty Montgomery,
Auditor of the State of Ohio

We have audited the financial statements of Ohio University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 30, 2003. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated October 30, 2003.

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

Deloitte & Touche LLP

October 30, 2003

Auditor of State
Betty Montgomery

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OHIO UNIVERSITY TELECOMUNICATIONS CENTER

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 27, 2004