

**MIAMI UNIVERSITY**

**BUTLER COUNTY**

**JULY 1, 1999 TO JUNE 30, 2000**

**PREPARED BY: KPMG LLP, CPA**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

The President and The Board of Trustees  
of Miami University

We have reviewed the independent auditor's report of the Miami University, Butler County, prepared by KPMG LLP, for the audit period July 1, 1999 through June 30, 2000. 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.

JIM PETRO  
Auditor of State

January 8, 2001



Two Nationwide Plaza  
Columbus, OH 43215-2577

Telephone 614 249 2300  
Fax 614 249 2348

## Independent Auditors' Report

The President and The Board of Trustees  
of Miami University  
and  
Jim Petro, Auditor of State:

We have audited the accompanying balance sheet of Miami University (the University), a component unit of the State of Ohio, as of June 30, 2000, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miami University as of June 30, 2000, and the changes in its fund balances and its current funds revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2000 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Current Expenditures-Educational and General is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

October 6, 2000

MIAMI UNIVERSITY  
BALANCE SHEET as of June 30, 2000  
With comparative figures as of June 30, 1999

	ASSETS		LIABILITIES AND FUND BALANCES	
	2000	1999	2000	1999
<b>Current funds</b>				
Unrestricted				
Educational and general				
Cash and cash equivalents	\$ 1,389,452	\$ 394,886	\$ 4,080,213	\$ 5,300,423
Investments	78,240,590	59,179,083	11,834,168	13,467,221
Accrued interest receivable	402,188	470,416	7,882,050	7,552,964
Accounts receivable, less allowance for doubtful			6,023,834	7,024,323
accounts of \$1,500,000 in 2000 and \$1,250,000 in 1999			713,840	798,789
Inventories	9,848,687	6,828,072	17,160,886	0
Prepaid expenses and deferred charges	853,374	774,186		
Net due from other funds	618,730	246,059	40,857,357	32,876,917
	0	1,242,640	2,800,873	2,114,705
Unallocated				
Total educational and general	\$ 91,353,021	\$ 69,135,342	\$ 91,353,021	\$ 69,135,342
Auxiliary enterprises				
Cash and cash equivalents	5,344,240	68,904	828,941	287,460
Investments	6,566,779	9,350,947	770,557	602,521
Accrued interest receivable	6,401	33,901	1,408,432	1,356,643
Accounts receivable	318,148	807,301	2,395,455	1,662,642
Inventories	2,447,497	2,039,111		
Prepaid expenses	14,238	12,868	1,818,514	1,802,518
Net due from other funds	275,940	675,523	7,751,344	7,276,771
Unallocated				
Total auxiliary enterprises	\$ 14,973,243	\$ 12,988,555	\$ 14,973,243	\$ 12,988,555
Total unrestricted	\$ 106,326,264	\$ 82,123,897	\$ 106,326,264	\$ 82,123,897
<b>Restricted</b>				
Cash and cash equivalents	535,027	14,317,828	381,296	122,442
Accrued interest receivable	230,530	146,587		
Accounts receivable	3,036,703	2,246,318	19,460,744	15,986,859
Prepaid expenses	65,037	26,609	1,015,902	628,041
Net due from other funds	16,990,645	0		
Unallocated				
Total restricted	\$ 20,857,942	\$ 16,737,342	\$ 20,857,942	\$ 16,737,342
Total current funds	\$ 127,184,206	\$ 98,861,239	\$ 127,184,206	\$ 98,861,239
<b>Loan funds</b>				
Cash and cash equivalents	1,529,368	798,940	22,211	56
Accounts receivable	107,162	284,015		
Notes receivable			5,957,007	5,869,986
Perkins Loan Program, less allowance for				
doubtful loans of \$1,010,000 in 2000 and \$985,000 in 1999			3,159,939	2,817,368
Nursing student loans	6,567,469	6,656,384	841,941	849,043
Other, less allowance for doubtful loans	2,903	3,495		
of \$231,000 in 2000 and \$431,000 in 1999				
Unallocated	1,774,196	1,793,619		
Total loan funds	\$ 9,981,098	\$ 9,536,453	\$ 9,981,098	\$ 9,536,453

See accompanying notes to financial statements.

(continued)

Balance Sheet, continued  
ASSETS, continued

LIABILITIES AND FUND BALANCES, continued

	2000	1999	2000	1999
<b>Endowment and similar funds</b>				
Cash and cash equivalents	\$ 660,570	\$ 388,041	\$ 5,641	0
Investments	110,863,261	91,792,710	0	70,363
Marketable securities	944,454	717,981	69,101,124	56,512,989
Other	23,045	17,042	4,801,583	3,877,264
Accrued interest receivable			38,582,982	32,455,158
<b>Total endowment and similar funds</b>	<b>\$ 112,491,330</b>	<b>\$ 92,915,774</b>	<b>\$ 112,491,330</b>	<b>\$ 92,915,774</b>
<b>Plant funds</b>				
<b>Plant additions</b>				
Accounts receivable	4,055,904	2,674,380	319,346	245,114
Net due to other funds			2,740,240	1,375,522
Fund balances			5,986	(3,500)
Restricted			990,332	1,057,244
Unrestricted				
<b>Total plant additions</b>	<b>\$ 4,055,904</b>	<b>\$ 2,674,380</b>	<b>\$ 4,055,904</b>	<b>\$ 2,674,380</b>
<b>Renewals and replacements</b>				
Cash and cash equivalents	24,604,795	15,573,003	1,180,594	733,617
Investments	7,120,411	17,354,033	15,246,644	25,100,000
Accrued interest receivable	42,925	609,800	313,056	808,280
Construction in progress	4,081,607	9,135,117	21,846,562	16,100,439
Net due from other funds	2,737,118	70,363		
<b>Total renewals and replacements</b>	<b>\$ 38,586,856</b>	<b>\$ 42,742,316</b>	<b>\$ 38,586,856</b>	<b>\$ 42,742,316</b>
<b>Retirement of indebtedness</b>				
Cash and cash equivalents	279,399	280,951	1,720,166	1,376,272
Investments	76,028	81,434	285,601	282,560
Net due from other funds	1,650,340	1,296,447		
<b>Total retirement of indebtedness</b>	<b>\$ 2,005,767</b>	<b>\$ 1,658,832</b>	<b>\$ 2,005,767</b>	<b>\$ 1,658,832</b>
<b>Investment in plant</b>				
Land	2,294,212	2,294,212	38,598,240	32,369,884
Improvements other than buildings	62,275,209	59,350,951	2,353,809	2,393,924
Buildings	349,141,319	326,563,287	8,066,021	10,185,977
Movable equipment, furniture and library books	143,994,360	137,076,476	1,753,117	1,839,088
Construction in progress	14,552,791	15,764,485	521,486,704	494,260,538
<b>Total investment in plant</b>	<b>\$ 572,257,891</b>	<b>\$ 541,049,411</b>	<b>\$ 572,257,891</b>	<b>\$ 541,049,411</b>
<b>Total plant funds</b>	<b>\$ 616,906,418</b>	<b>\$ 588,124,939</b>	<b>\$ 616,906,418</b>	<b>\$ 588,124,939</b>
<b>Agency funds</b>				
Cash and cash equivalents	0	147,883	82,168	76,097
Investments	1,882,305	1,307,841	1,874,787	1,547,136
Accounts receivable	74,650	167,509		
<b>Total agency funds</b>	<b>\$ 1,956,955</b>	<b>\$ 1,623,233</b>	<b>\$ 1,956,955</b>	<b>\$ 1,623,233</b>

See accompanying notes to financial statements.

MIAMI UNIVERSITY  
Statement of Changes in Fund Balances for the year ended June 30, 2000

	Current Funds						Plant Funds						
	Unrestricted			Restricted			Total Current Funds	Loan Funds	Endowment and Similar Funds	Plant Additions	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
	Educational and General	Auxiliary Enterprises	Total	Educational and General	Auxiliary Enterprises	Total							
Revenues and other additions													
Unrestricted current fund revenues	\$ 242,745,481	\$ 71,632,604	\$ 314,378,085	\$ 0	\$ 0	\$ 1,623,812	\$ 314,378,085	\$ 0	\$ 0	\$ 4,135,461	\$ 7,941,241	\$ 0	\$ 0
State appropriations	0	0	0	1,623,812	0	1,623,812	1,623,812	0	0	0	0	0	0
Federal grants and contracts	0	0	0	8,986,176	196,466	9,184,542	9,184,542	32,649	0	0	0	0	0
State grants and contracts	0	0	0	6,285,246	0	6,285,246	6,285,246	0	0	0	0	0	0
Local grants and contracts	0	0	0	2,228,069	0	2,228,069	2,228,069	0	0	0	0	0	0
Private grants and contracts	0	0	0	8,920,555	789,609	9,690,164	9,690,164	6,976	1,741,437	3,500	97,025	0	344,934
Private gifts	0	0	0	2,460,980	6,106	2,467,086	2,467,086	150,869	249,125	0	50,692	0	0
Investment income	0	0	0	0	0	0	0	0	17,682,155	1,226	(88,240)	0	0
Net increase (decrease) in fair value of investments	0	0	0	0	0	0	0	1,869	0	0	1,397,888	5,289	0
Other investment receipts	0	0	0	0	0	0	0	142,910	0	0	0	0	0
Interest on investments	0	0	0	0	0	0	0	0	0	0	0	0	0
Expended for plant facilities (including \$11,006,120 for capital improvements charged to current funds expenditures)	0	0	0	0	0	0	0	0	0	0	0	0	31,845,283
Retirement of indebtedness	0	0	0	164,712	1,179	165,891	165,891	301,067	15,116	4,760	227,141	0	5,934,835
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenues and other additions	\$ 242,745,481	\$ 71,632,604	\$ 314,378,085	\$ 30,947,365	\$ 973,360	\$ 31,920,725	\$ 346,298,810	\$ 636,330	\$ 19,687,833	\$ 4,144,947	\$ 9,625,747	\$ 5,289	\$ 38,125,052
Expenditures and other deductions													
Educational and general expenditures	214,431,505	0	214,431,505	25,067,715	0	25,067,715	239,499,220	0	0	0	0	0	0
Auxiliary enterprises expenditures	0	72,870,489	72,870,489	0	675,052	675,052	73,545,541	0	0	0	0	0	0
Indirect cost	122,061	0	122,061	1,174,528	0	1,174,528	1,296,589	0	0	0	0	0	0
Refund to grantor	0	0	0	110,169	0	110,169	110,169	24,250	0	0	0	0	0
Loan cancellations and write-offs	0	0	0	0	0	0	0	61,717	0	0	0	0	0
Administrative and collection costs	0	0	0	0	0	0	0	131,865	0	0	0	0	0
Expended for plant facilities (including non-capitalized expenditures of \$3,548,796)	0	0	0	0	0	0	0	0	0	7,140,429	17,247,530	0	0
Retirement of indebtedness	0	0	0	0	0	0	0	0	0	0	0	4,546,534	0
Interest on indebtedness	0	0	0	0	0	0	0	0	0	0	0	3,210,445	0
Plant assets written off or reclassified	0	0	0	0	0	0	0	0	0	0	0	0	6,035,247
Issuance of indebtedness	0	0	0	0	0	0	0	0	106,298	0	0	0	63,793
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expenditures and other deductions	\$ 214,553,566	\$ 72,870,489	\$ 287,424,055	\$ 26,352,402	\$ 675,052	\$ 27,027,454	\$ 314,451,509	\$ 217,832	\$ 106,298	\$ 7,140,429	\$ 17,247,530	\$ 7,756,979	\$ 6,099,040
Transfers among funds-additions (deductions)													
Mandatory	(683,292)	(6,298,695)	(6,981,987)	(6,866,774)	0	(6,866,774)	(7,668,761)	0	0	0	0	7,668,761	0
Principal and interest													
Nonmandatory	(3,547,557)	(5,217,188)	(8,764,745)	(190,000)	0	(190,000)	(8,954,745)	0	0	0	8,954,745	0	0
Renewals and replacements	(13,885,036)	13,885,036	0	0	0	0	0	0	0	0	0	0	0
General fee	(7,980,440)	(15,996)	(7,996,436)	0	0	0	(7,996,436)	0	0	0	0	0	0
Unrestricted allocated fund balance	(1,409,422)	(640,699)	(2,050,121)	(244,304)	89,553	(154,751)	(2,050,672)	3,992	58,743	2,938,056	3,917,957	85,970	(4,799,846)
Other transfers	(27,505,747)	1,712,458	(25,793,289)	(1,121,078)	89,553	(1,031,525)	(26,824,814)	3,992	58,743	2,938,056	12,872,702	7,754,731	(4,799,846)
Total transfers	\$ (27,505,747)	\$ 1,712,458	\$ (25,793,289)	\$ (1,121,078)	\$ 89,553	\$ (1,031,525)	\$ (26,824,814)	\$ 3,992	\$ 58,743	\$ 2,938,056	\$ 12,872,702	\$ 7,754,731	\$ (4,799,846)
Net increase (decrease) for the year	686,188	474,573	1,160,741	3,473,385	387,861	3,861,746	5,022,487	422,490	19,640,278	(67,426)	5,250,919	3,041	27,226,166
Fund balances at beginning of year	2,114,705	7,276,771	9,391,476	15,986,859	628,041	16,614,900	26,006,376	9,536,387	92,845,411	1,053,744	16,908,699	282,560	484,260,538
Fund balances at end of year	\$ 2,800,873	\$ 7,751,344	\$ 10,552,217	\$ 19,460,744	\$ 1,015,902	\$ 20,476,646	\$ 31,028,863	\$ 9,958,887	\$ 112,485,689	\$ 986,318	\$ 22,159,618	\$ 285,601	\$ 521,486,704

See accompanying notes to financial statements.

MIAMI UNIVERSITY  
Statement of Current Funds Revenues, Expenditures,  
and Other Charges for the year ended June 30, 2000  
With comparative totals for the year ended June 30, 1999

	Unrestricted		Restricted		Total Current Funds	
	Educational and General	Auxiliary Enterprises	Educational and General	Auxiliary Enterprises	2000	1999
<b>Revenues</b>						
Tuition, fees, and other student charges	\$ 147,293,270	\$ 0	\$ 0	\$ 0	\$ 147,293,270	\$ 138,055,578
State appropriations	80,687,922	0	1,523,999	0	82,211,921	75,672,062
Federal grants and contracts	980,710	57,040	9,724,925	196,466	10,959,141	11,532,866
State grants and contracts	118,459	0	3,200,817	0	3,319,276	2,661,147
Local grants and contracts	195,944	0	304,521	0	500,465	469,239
Private grants and contracts	297,307	0	1,852,495	0	2,149,802	1,793,707
Private gifts	1,350,193	1,303	6,429,956	478,586	8,260,038	8,001,842
Endowment income	1,318,775	69,199	2,031,002	0	3,418,976	2,222,188
Sales and services	4,193,336	70,376,360	0	0	74,569,696	67,204,848
Temporary investment income	4,968,278	1,128,702	0	0	6,096,980	4,365,398
Other sources	1,341,287	0	0	0	1,341,287	1,521,565
<b>Total revenues</b>	\$ 242,745,481	71,632,604	25,067,715	675,052	340,120,852	313,500,440
<b>Expenditures and mandatory transfers</b>						
Educational and general	111,669,496	0	5,898,359	0	117,567,855	110,472,623
Instruction and departmental research	1,617,673	0	4,057,191	0	5,674,864	6,327,969
Separately budgeted research	812,090	0	1,102,134	0	1,914,224	1,632,820
Public service	28,119,534	0	1,114,029	0	29,233,563	28,762,470
Academic support	17,465,563	0	656,656	0	18,122,219	16,861,696
Student services	24,057,825	0	840,555	0	24,898,380	21,657,244
Institutional support	21,286,468	0	35,360	0	21,321,828	20,865,321
Plant operation and maintenance	9,402,856	0	11,363,431	0	20,766,287	18,817,966
Scholarships and fellowships	214,431,505	0	25,067,715	0	239,499,220	225,398,109
<b>Total educational and general expenditures</b>	0	72,870,489	0	675,052	73,545,541	67,064,426
Auxiliary enterprises	683,292	6,298,695	686,774	0	7,668,761	6,316,106
Mandatory transfers	0	0	0	0	0	2,932
Principal and interest	0	0	0	0	0	0
Loan fund matching grant	0	0	0	0	0	0
<b>Total expenditures and mandatory transfers</b>	\$ 215,114,797	79,169,184	25,754,489	675,052	320,717,522	298,781,573
<b>Nonmandatory transfers and additions (deductions)</b>						
Nonmandatory transfers	(3,547,557)	(5,217,188)	(190,000)	0	(8,954,745)	(4,496,270)
Renewals and replacements	(13,885,036)	13,885,036	0	0	0	0
General fee	(7,980,440)	(15,996)	0	0	(7,996,436)	(6,668,703)
Unrestricted allocated fund balance	(1,409,422)	(640,699)	(244,304)	89,553	(2,204,872)	(466,563)
Other transfers	0	0	5,879,650	298,308	6,177,958	4,065,480
Additions (deductions)	(122,061)	0	(1,174,528)	0	(1,296,589)	(1,372,059)
Excess of restricted receipts	0	0	(110,159)	0	(110,159)	(54,977)
Facilities and administrative cost	0	0	0	0	0	0
Refund to grantor	686,168	474,573	3,473,885	387,861	5,022,487	5,725,775
<b>Net increase (decrease) in fund balances</b>	\$ 686,168	\$ 474,573	\$ 3,473,885	\$ 387,861	\$ 5,022,487	\$ 5,725,775

See accompanying notes to financial statements.

## **Notes to Financial Statements**

### **June 30, 2000**

#### **(1) Summary of Significant Accounting Policies**

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

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

#### **Accrual Basis**

The financial statements of the university have been prepared on the accrual basis except for depreciation of plant and equipment that is not required to be recorded by governmental institutions of higher education. The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

#### **Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available to the university, the accounts of the university are maintained in accordance with the principles of fund accounting. Thus, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted fund balances allocated to specific purposes by action of the board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds, and are in contrast with unrestricted funds over which the board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that the income only be utilized. The board may set aside other assets of the university for the same purposes as endowment funds (quasi-endowment); future expenditures of such funds are permitted only upon board action.

All gains and losses on investments and other non-cash assets are accounted for in the fund which owned the assets. Income derived from investments is accounted for in the fund owning the related assets, except for income derived from investments of endowment and similar funds that is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds.



All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds, including government grants and contracts, are reported as revenue and expenditures when expended for current operating purposes.

### **Investments**

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

### **Inventories**

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

### **Land, Buildings, 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. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books, (2) mandatory transfers, in the case of required provisions for principal and interest payments, and (3) as transfers of a non-mandatory nature for all other cases. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts, and the net investment in plant is reduced accordingly. Depreciation on plant and equipment is not recorded.

### **Deferred Income**

Tuition and fees relating to summer sessions that are conducted in July and August are recorded in the accompanying balance sheets as deferred income. These fees will be recorded as revenue in the following fiscal year.

### **Loan Funds**

The allocated portion of loan fund balances represents the university's matching funds provided in accordance with the requirements of the Perkins Loan program. The funds must be retained in the loan fund as long as the university participates in the program.

### **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.

## **Accounting Pronouncements**

The Government Accounting Standards Board (GASB) has issued two pronouncements applicable to colleges and universities: Statement No. 33, effective July 1, 2000, and Statement No. 35, effective July 1, 2001. Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, establishes financial reporting standards for nonexchange transactions involving financial or capital resources. Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, establishes a new financial reporting model for public colleges and universities. The university plans to adopt these pronouncements as of their respective effective dates. Management has not yet determined the impact the implementation will have on the financial statements.

---

## **2) Cash and Investments**

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

At year-end, the fair value of the university's cash and cash equivalents was approximately \$34,343,000. Approximately \$700,000 was covered by federal depository insurance, and the remaining amount 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. The University has compensating balance agreements with several banks.

Investments held by the University as of June 30, 2000 are presented below. Investments are categorized according to the level of credit risk involved. Miami University's investments in U.S. government securities, common and preferred stocks, and corporate bonds and notes are categorized as credit risk category 1, which includes investments that are insured or registered, or securities held by Miami University or its agent in the university's name. The university holds no investments in credit risk category 2, which includes investments that are collateralized with securities held by a pledging financial institution's trust department or agent in the university's name. Likewise, the university holds no investments in credit risk category 3, which are uninsured and unregistered investments held by a trust department or agent, but not in the university's name. Certain other investments are not required to be categorized.

	<b>Fair Value</b>
<b>Endowment Fund Investments</b>	
Common and preferred stocks	\$ 52,719,908
Corporate bonds and notes	143,400
State Treasury Asset Reserve of Ohio (STAR Ohio)	122,783
Mutual funds	41,835,919
Limited partnerships	16,041,251
Real estate (valued at cost)	551,100
Other	393,354
<b>Total</b>	<b>\$ 111,807,715</b>
<b>Investments held by all other funds</b>	
U. S. Government securities	60,369,071
State Treasury Asset Reserve of Ohio (STAR Ohio)	33,517,042
<b>Total</b>	<b>\$ 93,886,113</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.

STAR Ohio is an investment pool managed by the state treasurer's office which 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 is the price the investment could be sold for on June 30, 2000.

Annually the university establishes a spending rate that defines the total amount of dividends, interest, and realized gains to be distributed from the endowment fund investment pool to other funds. The authorized spending rate for fiscal year 2000 was 5 percent of the average quarterly market value of pooled investments for the previous three-year period, or \$4,305,716. Of this amount, \$2,312,672 of accumulated gains was utilized to meet the spending rate. In accordance with donors' stipulations, a portion of the earnings was returned to endowment principal and the balance of \$4,056,591 was distributed to other funds for expenditure.

### (3) Indebtedness

Bonds and notes payable consist of university general receipts obligations. The maturity dates, interest rates, and outstanding principal balances as of June 30, 2000, are as follows:

Indebtedness	Maturity Dates	Interest Rates	Outstanding Principal
<b>Bonds Payable</b>			
Series 1998 general receipts	2001 – 2018	3.6% - 4.8%	\$ 35,280,000
Series 1993 general receipts	2001 – 2013	4.85% - 5.8%	18,564,884
<b>Note Payable</b>			
U.S. Department of Education	2001 – 2026	5.5%	2,353,809
<b>Total</b>			<b>\$ 56,198,693</b>

The scheduled maturities of the bonds and note subsequent to June 30, 2000, are as follows:

<b>Year Ended June 30</b>	<b>Series 1998 Bonds</b>	<b>Series 1993 Bonds</b>	<b>U.S. Department of Education Note</b>	<b>Total</b>
2001	\$ 2,535,000	1,240,000	42,352	\$ 3,817,352
2002	2,620,000	1,300,000	44,713	3,964,713
2003	2,730,000	1,365,000	47,206	4,142,206
2004	2,840,000	1,430,000	49,838	4,319,838
2005	2,950,000	1,505,000	52,617	4,507,617
Thereafter	21,605,000	11,724,884	2,117,083	35,446,967
<b>Total</b>	<b>\$ 35,280,000</b>	<b>18,564,884</b>	<b>2,353,809</b>	<b>\$ 56,198,693</b>

The bonds are secured by a pledge of 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.

In September 1998, the university defeased its general receipts bonds dated July 1, 1989. Additionally, in November 1988, the university defeased its dormitory revenue bonds dated May 1, 1972. Because the defeasances effectively relieved the university of its liability for payment on the bonds, the bonds and related investments were removed from the university's balance sheet as of that date. Following the defeasement of the 1989 general receipts bonds, the trustee redeemed the bonds in full. The outstanding balance of defeased bonds at June 30, 2000, was approximately \$ 575,000.

The university has approximately \$8,066,000 in capitalized lease obligations that have varying maturity dates through 2011 and carry implicit interest rates ranging from 4.53 percent to 10.75 percent. The scheduled maturities of these leases as of June 30, 2000, are:

<u>Year Ended June 30</u>	<u>Minimum Lease Payments</u>
<u>2001</u>	<u>\$ 2,233,094</u>
<u>2002</u>	<u>2,101,623</u>
<u>2003</u>	<u>1,685,748</u>
<u>2004</u>	<u>1,232,324</u>
<u>2005</u>	<u>1,068,029</u>
<u>Thereafter</u>	<u>1,116,237</u>
<u>Total minimum lease payments</u>	<u>9,437,055</u>
<u>Less amount representing interest</u>	<u>(1,371,034)</u>
<b><u>Net minimum lease payments</u></b>	<b><u>\$ 8,066,021</u></b>

From time to time the university may establish interfund borrowings. At June 30, 2000, the investment in plant fund had outstanding indebtedness to the auxiliary enterprises fund in the amount of \$1,753,117.

This loan was made in fiscal year 1992, for the purpose of acquiring the Miami Inn. Other transactions among funds occur during the normal course of university operations and are recorded as “due to” or “due from” the respective funds.

#### 4) Retirement Plans

Substantially all non-student employees participate in contributory retirement plans administered by the State Teachers Retirement System of Ohio (STRS) and the Public Employees Retirement System of Ohio (PERS). Both STRS and PERS 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 PERS 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 PERS, 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 2000 were 9.3 percent for employees and 14

percent for employers. Twelve percent of the employer rate is used to fund pension obligations, and 2 percent funds the retiree health care program; however, for the years ended June 30, 1999 and 2000, the allocation to the health care program is 8 percent (Note 5).

Employees covered by the PERS system are required by state statute to contribute 8.5 percent of their salary to the plan. The university is required to contribute 13.31 percent of covered payroll; 9.11 percent is used to fund pension obligations and 4.2 percent funds the retiree health care program (Note 5).

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 PERS for the year ended June 30, 2000, was \$61,827,000 and \$63,327,000 respectively. The payroll for employees electing the alternative retirement program was \$16,288,000.

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>PERS</b>	<b>Alternative Programs</b>
2000	\$ 8,655,826	\$ 8,543,517	\$ 1,543,141
1999	9,109,936	9,071,109	404,235
1998	9,025,457	8,287,760	N/A

##### **(5) Other Postemployment Benefits**

In addition to the pension benefits described in Note 4, STRS and PERS 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 reimbursement of monthly Medicare premiums. A portion of the employer contribution (2 percent for STRS and 4.2 percent for PERS) is allocated to fund the health care benefits. For the fiscal years ended June 30, 1999 and 2000, STRS has allocated 8 percent of the employer contribution to the health care program.

The STRS health care plan is advance funded, but not on an actuarially determined basis. The net

health care costs paid by the plan were \$250 million for the year ended June 30, 1999, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled \$2.78 billion as of June 30, 1999. At that date there were 95,796 eligible benefit recipients in the STRS plan.

PERS health care benefits are financed through employer contributions and investment earnings, which are expected to be sufficient to sustain the program indefinitely. The net health care costs paid by the plan were \$524 million for the year ended December 31, 1999, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled \$9.87 billion as of December 31, 1999. At that date there were 118,062 eligible benefit recipients in the PERS plan.

## (6) Compensated Absences

At June 30, 2000, the university's liability for compensated absences was comprised of the following balances:

	<b>Total</b>
<b>Educational and General Funds</b>	
Accrued vacation	\$ 3,594,639
Accrued sick leave	4,287,411
<b>Total</b>	<b>\$ 7,882,050</b>
<b>Auxiliary Enterprises</b>	
Accrued vacation	\$ 1,080,540
Accrued sick leave	327,892
<b>Total</b>	<b>\$ 1,408,432</b>

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 which 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.

## **(7) 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. Fifty percent of the members of the foundation's board of trustees are appointed by the university, while 50 percent are appointed by the foundation's board of trustees.

Assets and financial activity of the foundation are not reported in the university's financial statements. Amounts received by the university from the foundation are restricted and are included in private gifts, grants, and contracts in the accompanying financial statements.

The foundation values its investments at fair value. Summary financial information for the foundation as of December 31, 1999, the date of its most recent audited financial report, is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets at end of year	\$ 907,386	\$ 48,362,171	\$ 90,832,235	\$ 140,101,792
Change in net assets for the year	32,732	11,587,710	18,643,163	30,263,605
Distributions to Miami University	4,340,413	0	0	4,340,413

## (8) Commitments

At June 30, 2000, the university is committed to future contractual obligations for capital expenditures of approximately \$17.2 million. These commitments are being funded from the following sources:

	<b>Contractual Obligations</b>
Approved state appropriations not expended	\$ 4,399,594
University funds	12,830,657
<b>Total</b>	<b>\$ 17,230,251</b>

## (9) Risk Management

The university's employee health insurance program is a self-insured plan administered by Anthem Blue Cross/Blue Shield ("Anthem"). The university's risk exposure is limited to 110% of estimated claims in any given year, which reduces its exposure to material financial loss. To further reduce potential loss exposure, the university has also established a reserve for health insurance stabilization of \$1 million within the allocated fund balance.

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 \$2,436,000 is included in accrued salaries and wages as of June 30. The change in the total liability for actual and estimated claims is summarized below:

	<b>2000</b>	<b>1999</b>
Liability at beginning of year	\$ 2,754,772	\$ 2,544,278
Claims incurred	12,179,649	10,012,343
Claims paid	(12,371,779)	(9,771,849)
Increase (decrease) in estimated claims incurred but not reported	433,000	(30,000)
Liability at end of year	\$ 2,995,642	\$ 2,754,772

Of the total liability at June 30, 2000, \$2,594,986 is recorded in the unrestricted educational and general fund, and the remainder in the auxiliary enterprises fund.

The university participates in a consortium with other state-assisted universities for the acquisition of commercial property and casualty insurance. The property insurance program has been in place for more than five years and has had no material losses. The casualty program was initiated in 1999 and has had no material losses. The university also carries commercial insurance for liability and other risks.

---

#### **(10) 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 Current Expenditures-Educational and General  
 Central Campus and Branches for the year ended June 30, 2000  
 With comparative totals for the year ended June 30, 1999

	Unrestricted	Restricted	Total	
			2000	1999
<hr/>				
Instruction and departmental research				
College of arts and science	\$ 57,007,899	\$ 2,204,454	\$ 59,212,353	\$ 55,769,984
School of education and allied professions	14,774,418	1,342,909	16,117,327	15,036,765
School of business administration	16,265,749	1,337,574	17,603,323	16,670,563
School of fine arts	9,669,453	265,907	9,935,360	8,625,365
School of engineering and applied science	7,464,670	218,355	7,683,025	7,098,620
School of interdisciplinary studies	1,070,208	352,708	1,422,916	1,470,017
Other	5,417,099	176,452	5,593,551	5,801,309
	<hr/>	<hr/>	<hr/>	<hr/>
Total instruction and departmental research	\$ 111,669,496	5,898,359	117,567,855	110,472,623
<hr/>				
Separately budgeted research				
Research centers	407,628	205,993	613,621	576,061
Other	1,210,045	3,851,198	5,061,243	5,751,908
	<hr/>	<hr/>	<hr/>	<hr/>
Total separately budgeted research	\$ 1,617,673	4,057,191	5,674,864	6,327,969
<hr/>				
Public service				
Community service	77,070	905,109	982,179	827,743
Noncredit instruction	734,881	4,716	739,597	662,378
Other	139	192,309	192,448	142,699
	<hr/>	<hr/>	<hr/>	<hr/>
Total public service	\$ 812,090	1,102,134	1,914,224	1,632,820
<hr/>				
Academic support				
Libraries	10,231,542	182,469	10,414,011	9,416,847
Academic administration	8,681,737	437,525	9,119,262	7,467,339
Applied technologies	2,864,976	11,530	2,876,506	1,996,486
Broadcasting services	590,144	208,329	798,473	818,507
Continuing education	566,892	1,186	568,078	528,382
Graduate school	515,651	4,422	520,073	460,582
Institute of environmental sciences	488,934	1,804	490,738	462,902
Instrumentation laboratory	287,006	1,141	288,147	278,567
Office for the advancement of scholarship and teaching	1,409,358	1,360	1,410,718	1,318,194
Other	2,483,294	264,263	2,747,557	6,014,664
	<hr/>	<hr/>	<hr/>	<hr/>
Total academic support	\$ 28,119,534	1,114,029	29,233,563	28,762,470
<hr/>				
Student services				
Vice president for student affairs	1,013,050	93,493	1,106,543	1,000,148
Admission office	2,782,894	8,229	2,791,123	2,382,478
Career planning and placement	666,219	29,765	695,984	757,055
Learning assistance	1,239,309	20,700	1,260,009	1,162,161
Registrar's office	2,313,788	0	2,313,788	2,041,773
Student activities	202,101	14,298	216,399	228,869
Student counseling service	649,064	1,429	650,493	554,448
Student financial aid	1,655,439	16,163	1,671,602	1,770,864
Student health service	2,322,177	65,445	2,387,622	2,170,247
Student leadership	229,673	174,580	404,253	365,700
Student orientation and registration	288,265	298	288,563	284,228
Student services - branch campuses	909,434	111,482	1,020,916	849,959
University funded student organizations	985,128	29,193	1,014,321	847,405
University lectures and artists	921,793	63,606	985,399	720,772
Other	1,287,229	27,975	1,315,204	1,725,589
	<hr/>	<hr/>	<hr/>	<hr/>
Total student services	\$ 17,465,563	\$ 656,656	\$ 18,122,219	\$ 16,861,696

See accompanying independent auditors' report.

	Unrestricted	Restricted	Total	
			2000	1999
<b>Institutional support</b>				
President's office	\$ 862,896	\$ 1,332	\$ 864,228	\$ 599,607
Executive vice president for academic affairs	1,313,274	125,867	1,439,141	1,191,706
Vice president for finance and business services	765,272	7,252	772,524	541,227
Vice president for university advancement	4,251,212	373,598	4,624,810	4,136,374
Secretary of the university	403,124	706	403,830	351,182
Affirmative action	824,125	13,223	837,348	785,687
Bursar's office	2,201,222	11,384	2,212,606	2,391,645
Controller's office	2,061,632	328	2,061,960	1,746,059
Degree audit program	1,560,975	824	1,561,799	1,458,697
Environmental health and safety	492,950	874	493,824	494,562
General counsel	465,705	0	465,705	139,555
Personnel office	1,172,672	9,444	1,182,116	1,130,446
Publications office	1,939,485	286	1,939,771	1,442,208
Purchasing office	604,708	1,613	606,321	578,778
University budget and institutional research	568,263	0	568,263	456,086
University police	1,982,394	3,209	1,985,603	1,831,433
Western College alumnae association	330,886	140,704	471,590	294,001
Executive directors of branches	1,417,218	131,383	1,548,601	1,389,336
Other	839,812	18,528	858,340	698,655
<b>Total institutional support</b>	<b>\$ 24,057,825</b>	<b>840,555</b>	<b>24,898,380</b>	<b>21,657,244</b>
<b>Plant operation and maintenance</b>				
Administration	996,774	3,023	999,797	1,182,031
Custodial service	4,599,714	1,971	4,601,685	4,502,153
Maintenance of buildings	4,794,685	11,913	4,806,598	4,681,469
Maintenance of grounds	2,401,668	17,719	2,419,387	2,375,026
Operation of motor vehicles	785,292	0	785,292	714,055
Planning and construction	881,358	569	881,927	813,111
Purchased utilities	4,315,662	0	4,315,662	4,176,908
Steam plant	1,778,371	0	1,778,371	1,644,602
Other	732,944	165	733,109	775,966
<b>Total plant operation and maintenance</b>	<b>\$ 21,286,468</b>	<b>35,360</b>	<b>21,321,828</b>	<b>20,865,321</b>
<b>Scholarships and fellowships</b>				
<b>Scholarships</b>				
Grants-in-aid	5,825,027	11,353,628	17,178,655	14,646,427
Fee remissions	1,664,912	0	1,664,912	2,176,852
<b>Fellowships</b>				
Graduate summer fellowships	1,048,797	0	1,048,797	1,148,260
Doctoral dissertation fellowships	182,656	5,148	187,804	165,756
Fee remissions	387,869	680	388,549	374,708
Other	0	3,975	3,975	6,178
Post-secondary enrollment options program	293,595	0	293,595	299,785
<b>Total scholarships and fellowships</b>	<b>\$ 9,402,856</b>	<b>11,363,431</b>	<b>20,766,287</b>	<b>18,817,966</b>
<b>Total current expenditures - educational and general</b>	<b>\$ 214,431,505</b>	<b>\$ 25,067,715</b>	<b>\$ 239,499,220</b>	<b>\$ 225,398,109</b>

**MIAMI UNIVERSITY**  
**(A Component Unit of the State of Ohio)**

Reports Issued Pursuant to OMB Circular A-133

Year ended June 30, 2000

(With Independent Auditors' Report Thereon)

**MIAMI UNIVERSITY**  
**(A Component Unit of the State of Ohio)**

**Reports Issued Pursuant to OMB Circular A-133**

**With Independent Auditors' Report Thereon**

**Table of Contents**

	<b>Page</b>
REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	20



Two Nationwide Plaza  
Columbus, OH 43215-2577

Telephone 614 249 2300  
Fax 614 249 2348

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees  
Miami University:

We have audited the financial statements of Miami University as of and for the year ended June 30, 2000, and have issued our report thereon, dated October 6, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Miami 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 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 combined 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 certain matters involving the internal control over financial reporting that we have reported to management of the University in a separate letter dated October 6, 2000.

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, 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.

KPMG LLP

October 6, 2000





Two Nationwide Plaza  
Columbus, OH 43215-2577

Telephone 614 249 2300  
Fax 614 249 2348

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM, INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133,  
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Trustees  
Miami University:

Compliance

We have audited the compliance of Miami University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000, except those requirements discussed in the third following paragraph. Miami University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Miami University's management. Our responsibility is to express an opinion on Miami University's compliance based on our audit.

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

In our opinion, Miami 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, 2000, other than those discussed in the following paragraph. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 00-1, 00-2, 00-3 and 00-4.

We did not audit Miami University's compliance with requirements governing accuracy of FISAP data and due diligence and repayment records for Perkins Loans. Those requirements govern functions that are performed by University Accounting Service, Inc. (UAS), a third party servicer. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

UAS compliance with the requirements governing the functions that it performs for Miami University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the major programs in which Miami University participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on Miami University's major programs.

#### Internal Control Over Compliance

The management of Miami 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 Miami 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.

Requirements governing accuracy of FISAP data and due diligence and repayment records for Perkins Loans are performed by UAS. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountant's report has been furnished to us. However, the scope of our work did not extend to internal control maintained at UAS.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect Miami University's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as Item 00-1.

A material weakness is a condition in which the design or operation of one or more 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 in a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe the reportable condition referred to above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Miami University, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 6, 2000. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees and management of Miami University, the Auditor of State of Ohio, 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.

KPMG LLP

October 6, 2000

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>RESEARCH:</b>			
<b>U. S. Department of Agriculture:</b>			
Regulation of Insect Cold-hardiness Using Ice Nucleating Active Bacteria	10.206	96-35302-3419	\$ 2,890
Regulation of Microsporogenesis in Arabidopsis Thaliana	10.206	95-37304-2246	37,198
Spiders in Agroecosystems: Ecological Processes and Biological Control	10.206	98-35302-6027	688
Symposium: Spiders in Agroecosystems: Ecological Processes and Biological Control	10.206	98-8100-0488(GR)	2,408
Subtotal Direct Programs			<u>\$ 43,184</u>
Pass-through program from:			
Colorado State University - Operation of a USDA UV-B Radiation Monitoring Network Station	10.200	P302293	\$ 5,272
Subtotal Pass-Through Program			<u>\$ 5,272</u>
<b>Total U. S. Department of Agriculture</b>			<u>\$ 48,456</u>
<b>U. S. Department of Commerce:</b>			
Strategies to Control Exotic Invasive Plant Species in Great Lakes Wet Lands - A Filed Evaluation	11.417	NA86RG00531RF735494	\$ 9,979
Operation of an Atmospheric Integrated Research Monitoring (AIRMON) Station at Miami University's Ecology Research Center	11.431	43EANR932013	11,856
Surfing the Physics Lab	11.609	7ONANB9H0042	7,501
Subtotal Direct Programs			<u>\$ 29,336</u>
Pass-through program from:			
Bowling Green State University - Economic Development Initiative for Local Government	11.303	06-06-02827-98	\$ 2,791
Bowling Green State University - Local Government Economic Development	11.303	06-66-01008	14,001
Ohio Sea Grant College Program: Ecosystem Change in Lake Erie: Recolonization by Burrowing Mayflies	11.417	RF 748271 01	\$ 16,792
Subtotal Pass-Through Program			<u>\$ 314</u>
<b>Total U. S. Department of Commerce</b>			<u>\$ 17,106</u>
			<u>\$ 46,442</u>

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>National Security Agency:</b>			
The Summer Undergraduate Mathematical Science Research Institute	12.901	MDA904-99-1-0014	\$ 71,484
The Summer Undergraduate Mathematical Science Research Institute	12.901	MDA904-00-1-0002	\$ 48,681
<b>Total National Security Agency</b>			<u>\$ 120,165</u>
<b>National Aeronautics and Space Administration:</b>			
The Role of Integrins in the Transduction of Gravitropism	43.001	NGT5-50041	\$ 2,055
Graviperception in Starch-Deficient Plants in Biorack	43.002	NAG 2-1017-5	\$ 18,009
Subtotal Direct Programs			<u>\$ 20,064</u>
<b>Total National Aeronautics and Space Administration</b>			<u>\$ 20,064</u>
<b>National Endowment for the Humanities:</b>			
Marriage, Inequality, and Violence in England and America from the Sixteenth Century to the Present	45.160	—	\$ 30,000
<b>Total National Endowment for the Humanities</b>			<u>\$ 30,000</u>
<b>National Science Foundation:</b>			
Investigations on Normal and Paracompact Spaces	47.049	DMS-9623391	\$ 4,228
Research Experiences for Undergraduates in Chemistry	47.049	CHE-9619696	\$ 39,452
Summer Research Experience for Undergraduates in Chemistry at Miami University	47.049	CHE9987557	\$ 29,783
Structure of Vector-Valued Function Spaces and Non-Commutative Function Spaces	47.049	DMS-9703789	\$ 17,877
Investigations on Normal and Paracompact Spaces	47.049	DMS-9977099	\$ 28,987
Electron-correlated Calculations of Two- and Three-body Intermolecular Complexes and their Properties	47.049	CHE-9616683	\$ 21,187
			<u>\$ 141,514</u>

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>National Science Foundation (continued):</b>			
Collaborative Research: Active Strain within the Pacific-North American Oblique-Divergent Plate Boundary Baja California Sur, Mexico	47.050	EAR-9802790	\$ 9,387
Determination of Site Occupancy in Multiply-Occupied Atomic Sites	47.050	EAR-9804768	2,563
Collaborative Research: Osmium Isotopes, PGE and Trace Element Systematics in Kamchatka Sub-Arc Mantle	47.050	EAR-9902956	6,829
Probing the Structure and Energetic of Reactive Sites at the Mineral-Water Interface	47.050	EAR-9814691	43,157
			<u>\$ 61,936</u>
Ecophysiological Correlates of Vertebrate Freeze Tolerance	47.074	IBM-9507437	\$ 5,144
Competitive Co-Existence Of Two Predators In A Spatially Patterned Landscape	47.074	DEB-9527710	14,919
The Effects of Territory Quality and Resource Distribution on Dispersal and Space Use of Meadow Voles	47.074	IBN-9700900	613
Ecological Engineering by Fishes: The Importance of Biodiversity to Resource Heterogeneity	47.074	DEB-9615620-01	17,940
Insect Cold-Hardiness and Diapause: Regulatory Relationships	47.074	IBN-9728573	145,136
3-Ketoacyl Synthases: Modification and Characterization	47.074	MCB-9728786	78,037
Omnivorous Fish and the Stability of Aquatic Foodwebs	47.074	DEB-9982124	23,763
Impacts of a Strong Interactor Along a Productivity Gradient: Linking Watersheds with Reservoir Food Webs	47.074	DEB-9726877	47,155
Willard Sherman Turrell Herbarium Improvement	47.074	DBI-9808577	32,008
Hypal Biomechanics in Pathogenic Oomycetes	47.074	IBN-9985546	37,673
Collaborative Research: Context-Dependence in Hippocampal Place Fields: Experimental Investigation of the Dentate Gyrus-Hilus System	47.074	IBN-9816612	46,617
Study of Glyoxalase in Arabidopsis Thaliana	47.074	MCB-9817083	31,772
Phylogeny, Biogeography, and Systematics of Edriothalis and Ernodea (Rubiaceae) in the Caribbean Basin	47.074	DEB-9807089	3,574
Dissolved Organic Matter Biogeochemistry: Linking Ecosystem Processes, Comm Structure	47.074	DEB-9904047	23,094
Phylogeny of Heterocystous Cyanobacteria and Evolution of Nitrogen Fixation Genes	47.074	DEB-9973340	35,604
Molecular Characterization of Genes/Candidates for Determinants of Neuronal Identity	47.074	ISN-0096108	3,570
Ecophysiological Correlates of Vertebrate Cold Hardiness	47.074	IBN-9817087	79,664
			<u>\$ 626,283</u>
U.S.-Polish Collaborative Research on Electronanalytical Chemistry in the Absence of a Bulk Solution Phase	47.075	INT-9529589	\$ 3,488
Annual Cliometrics Research Conferences	47.075	SBR-9515252	515
			<u>\$ 4,003</u>

(Continued)

Miami University  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2000

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>National Science Foundation (continued):</b>			
Creating a Research-Rich Curriculum: A Model for Lifelong and Continuous Learning	47.076	DUE-9652063	\$ 3,033
Bridging the Gap: Equity in Systemic Reform	47.076	REC-9602137	94,185
Leadership Alliance in the Biological Sciences: Joining Molecular Biology and Ecology with Research	47.076	ESI-9819374	45,626
Modernization of Plant Taxonomy Curriculum Through Use and Development of Plant Identification Expert Systems	47.076	DUE-9850878	12,096
			<u>\$ 154,940</u>
Renovation of Hughes Hall Chemistry Research Facilities	47.077	STI-9602322	\$ 91
Microbial Mediation of Trace Metal Cycling in Four Stratified Antarctic Lakes	47.078	OPP-9814837	\$ 39,170
Subtotal Direct Programs			<u>\$ 1,027,937</u>
<b>Pass-Through Programs From:</b>			
Innovative Scientific Solutions, Inc.: Development of a Microflow Diagnostic System	47.041	SBR-9515252	\$ 19,170
Stroud Water Research Center: Dissolved Organic Matter Biochemistry: Linking Ecosystem Processes	47.074	DEB-9904047	\$ 23,094
Subtotal Pass-Through Programs			<u>\$ 42,264</u>
<b>Total National Science Foundation</b>			<u>\$ 1,070,201</u>
<b>U.S. Department of Interior:</b>			
Continued Operation of the NADP/NTN Precipitation Chemistry Station at Oxford, Ohio	15.808	99-4883-0015	\$ 6,324
Applications of LANDSAT, ASTER and MODIS Data to Land Cover Mapping in Ohio	15.808	98CRAG1014	8,420
Fundamentals Through Application of Space Technologies	15.808	99CRAG0009	38,573
Subtotal Direct Programs:			<u>\$ 53,317</u>

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
Pass-Through Programs From: Ohio State University: Degradation of Ground Water Quality from Pumping-Induced Surfaced Water Infiltration	15.805	OSU REF# 735026 95X0009	\$ 4,799 24,149
City of Cincinnati: Fate and Transport of Pathogens in Areas of Induced Surface Water Infiltration			28,948
Subtotal Pass Through Programs			<u>82,265</u>
<b>Total U.S. Department of Interior</b>			<b>\$</b>
<b>U.S. Environment Protection Agency:</b> Molecular Indicators of Contaminant Exposure in Fish Determining Biodiversity Values in a Place-based Ecological Risk Assessment Multi-level Indicators of Ecosystem Integrity in Alpine Lakes in the Sierra Nevada	66.500 66.500 66.500	CR827000-01-0 CR827003-01-0 R 827643-01-0	\$ 24,819 41,046 117,782
Ecological Assessment of the Phototoxic Polycyclic Aromatic Hydrocarbon Fluoranthene in Freshwater Systems	66.505	R823873-01-0	\$ 29,391
EPA Graduate Research Fellowship	66.607	U-915570-01-1	\$ 7,822
Subtotal Direct Programs			<u>220,860</u>
Pass-Through Programs From: QST Environmental Inc.: Operation of a U.S.E.P.A. National Dry Deposition Network Station at Miami University Science Application Intern Corp.: Construction Effective Concentration Estimates For an Analysis of a Large Database of Aquatic Toxicology Experiments International Technology Inc.: Research at the US. EPA Test & Evaluation Facility International Technology Inc.: Electrolyzed Salt Brine Technology		S68098112-SITEOP-122 SUBCONT 4500145740/IM5-2 99211-99-001 PO 139207	\$ 5,003 21,002 33,491 15,015
Subtotal Pass-Through Programs:			<u>74,511</u>
<b>Total U.S. Environment Protection Agency</b>			<b>\$ 295,371</b>
<b>U.S. Department of Energy:</b> Magnetic Nanoscale Physics	81.049	DE-FG02-86ER45281	\$ 48,655
Subtotal Direct Programs			<u>48,655</u>

(Continued)



**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
Pass-Through Programs From: Michigan State University: A National Cooperative for Genetic Engineering of Plant Lipids	81.049	61-3203 DE FG02-92ER200	\$ 23,881
Fluor Daniel Fernald: Intern Program		96SS000294	36,670
Fluor Daniel Fernald: Representative Vegetation Test Plots		96SS000294	9,888
Fluor Daniel Fernald: Intern Program - Kimberly J. Lahman		96SS000294	15,844
Fluor Daniel Fernald: Final Cover Vegetation Literature Evaluation		96SS000294	10,665
Subtotal Pass-Through Programs			\$ 96,948
<b>Total U.S. Department of Energy</b>			<b>\$ 145,603</b>
<b>U.S. Department of Health &amp; Human Services:</b>			
Neural Substrates of Adaptive Jaw Movement	93.121	1R15DE12248-01	\$ 17,427
Influence of Social Stimulation on Sexual Development	93.242	1R15MH52471-01	\$ 189
Relating Categories to Perceptual Representations	93.242	1R03MH5881201	\$ 47,866
			\$ 48,055
Analyses of a New Tetrahymean Ciliary Dynein	93.390	1R15GM54274-01	\$ 1,712
Analysis of Meiotic Cell Cycle Control Genes	93.390	1R15GM5595601	44,309
Organization of a Cytochrome P450 Gene Cluster in Mice	93.390	1R15GM5595101A1	4,727
Integrin-like Proteins in Signal Transduction	93.390	1R15GM57806-01	38,892
Iron Acquisition by Haemophilus Aegyptius	93.390	1R15AI37781-01	3,311
Structure-Function Studies of LYS 2p of Candida Albicans	93.390	1R15GM55912-01A2	36,947
Analysis of a Dynein Chain Mutation in Tetrahymena	93.390	1 R15 GM59855-01	17,858
Ab Initio Studies of Complexes of Nucleic Acid Bases	93.390	R15 GM59586-01A1	7,010
			\$ 154,766
Nuclear Organization During Adenovirus Infection	93.393	1R15 CA82111-01	\$ 14,752
Mass Spectral Studies of Deprotonated Peptides	93.821	1R01GM51384-03	\$ 66,310
Amperometric Sensors for Gas Phase Analytes	93.821	1R15GM/OD54327-01A1	\$ 28,974
			\$ 95,284

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
Amphibian Urinary Bladder: Novel Glucose Transport Model	93.847	1 R115 DK54034-01A2	\$ 1,161
Prolactin Stimulation by Multiple Opiate Receptors	93.847	1R15DK/OD51332-01	36,771
Estrogen Affects the Prolactin Response to Angiotensin II	93.847	1R15DK54065-01	25,399
			<u>\$ 63,331</u>
Retrograde Determination of Synaptic Plasticity	93.854	1R15NS32857-01A1	\$ 99
Neurotrophin Regulation of Cerebrovascular Axons	93.854	1R15NS3640301A1	25,995
			<u>\$ 26,094</u>
Cytokine Potentiation of IFN-Induced IDO Activity	93.856	1R15AI/9D39727-01	\$ 7,303
Fungal Pigmentation and Turgor Pressure in Human Mycoses	93.856	1R15AI/OD41198-01	21,169
Genetics of H. Aegyptius Brazilian Purpuric Fever Clone	93.856	1 R15 AI44776-01A1	8,614
Chlamydial Evasion of IFN-Mediated Immunity	93.856	1 R21 AI45836-01A1	11,968
Metallo Beta Lactamase from X Maltophilia	93.856	1R29AI40052-03	96,395
			<u>\$ 145,449</u>
Tannins as Biological Antioxidants	93.933	1R15CA77806-01	\$ 42,785
			<u>\$ 607,943</u>
Subtotal Direct Programs			
Pass-Through Programs From:			
Ohio Department of Aging: Family Support Project	93.631	90DF0011	\$ 10,421
Ohio Board of Regents: Dual Eligibles: How Do They Utilize Health and Long-Term Care Services	—	—	22,420
Ohio Board of Regents: Reliability and Prediction of Case Mix Changes in Ohio Nursing Homes	—	A-00-07-115	32,807
Subtotal Pass-Through Programs			\$ 65,648
<b>Total U.S. Department of Health &amp; Human Services</b>			<u>\$ 673,591</u>
<b>National Institute for Occupational Safety &amp; Health</b>			
Phospholipid Fatty Acid Analysis of Used Metal Working Fluids		PO 9836695	\$ 2,400
<b>Total National Institute of Occupational Safety &amp; Health</b>			<u>\$ 2,400</u>

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>U.S. Air Force:</b>			
Modeling and Testing of Materials Undergoing Different Working Conditions in Manufacturing Processes		TR98-STTR-001	\$ 10,087
Intelligent Control of Uncertain Systems			51,128
Subtotal Direct Programs			\$ 61,215
<b>Pass-Through Programs From:</b>			
Wright State University: Applying Evolutionary Computation to the Design of Pattern Recognition Systems		F33615-99-C-1441;	\$ 17,311
		PO BD 507	\$ 17,311
Subtotal Pass-Through Programs			\$ 78,526
<b>Total U.S. Air Force</b>			\$ 2,613,084
<b>Total Research</b>			\$ 2,613,084
<b>INSTRUCTIONAL:</b>			
<b>U.S. Department of Labor:</b>			
Pass-Through Programs From:			
Ohio Department of Education: Local School-to-Work Opportunities Partnership Grant	17.249	STW1998FED-99-UROG	\$ 113,535
Ohio Department of Education: Local School-to-Work Opportunities Partnership Grant	17.249	STW1998FED-98-UROG	28,481
Ohio Department of Education: Local School-to-Work Opportunities Partnership Grant	17.249	STW1998FED-98-UROG	22,257
<b>Total U.S. Department of Labor</b>			\$ 164,273
<b>U.S. Department of State:</b>			
Analysis, Budgets, and Development: Exchanging to Enhance Armenia's Transition to a Market Economy	19.405	—	\$ 15,675
<b>Total U.S. Department of State</b>			\$ 15,675

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>National Aeronautics and Space Administration:</b>			
Pass-Through Programs From:			
National Alliance State Science & Math Coalition: Systemic Reform in Mathematics and Science Education	43.002	—	\$ 140,062
Glenn Research Center: Building and Enhancing an Ohioview Geospatial Digital Library for K-12, Higher Education	—	NAG3-2436	9,382
			\$ 149,444
<b>Total National Aeronautics and Space Administration</b>			
<b>National Endowment for the Humanities:</b>			
The Vroma Project: A Virtual Community for the Teacher of Classics	45.162	ED-2045496	\$ 12,619
			\$ 12,619
<b>Total National Endowment for the Humanities</b>			
<b>National Science Foundation:</b>			
Penrose Conference on Ophiolites and Oceanic Crust: New Insights from Field Studies and Ocean Drilling Program	47.050	OCE-9813451	\$ 6,457
Integrating A Formal Method Into the Software Engineering Curriculum	47.070	CDA-9522257	6,040
Lighting Simulation Laboratory	47.076	DUE-9851308	\$ 37,000
Teacher Enhancement In Molecular Biology and Recombinant DNA Technology	47.076	ESI-9618727	87,303
Chemical Technology Education Collaborative: Advanced Technology Education Project	47.076	DUE-9751993	405,019
Project Dragonfly: An Alliance of Scientists, Teachers, and Children for Elementary Science Education	47.076	ESI-9550538	127,595
To Adapt and Adopt Workshop Chemistry	47.076	DUE-9950575	44,636
SEP: Science is for Us: An After-School Program for Junior High Girls	47.076	HRD - 9908776	11,704
Ohio Board of Regents: Increasing the Impact	47.076	DUE-9950011	24
Dragonfly Quest: An Inquiry-Driven Science Program for Informal Settings	47.076	ESI-9804318	208,487
Development of a Web-based Teaching and Learning System in Plant Biology at Miami University	47.076	DUE-9950580	49,867
Furthering Advances Toward Learner-Centered Education	47.076	DUE-9850015	67,962
			\$ 1,039,597
<b>Subtotal Direct Programs</b>			
			\$ 1,052,094

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
Pass-Through Programs From:			
Ohio Board of Regents: Project Discovery	47.076	ESR-9150060	\$ 11,267
Subtotal Pass-Through Programs			\$ 11,267
<b>Total National Science Foundation</b>			<b>\$ 1,063,361</b>
<b>U.S. Department of Education:</b>			
Ohio Writing Project	84.298	92-OH01	\$ 12,191
PROJECT MENTOR-Teaching Tomorrow's Teachers to Use Technology	84.242A	—	\$ 55,785
Subtotal Direct Programs			\$ 67,976
Pass-Through Programs From:			
Ohio Board of Regents: Supporting and Sustaining Standards-Based Math Reform in Northwest Local School District	84.281	9-36	\$ 28,392
Ohio Board of Regents: Teaching Science with TOYS-Targeting Ohio III	84.281	9-38	28,774
Ohio Board of Regents: ACTIVE Chm: Adding Context+Technology+Inquiry=Very Exciting Chemistry	84.281	8-39	71,459
Ohio Board of Regents: Blending Reading, Investigating, and Discovery into the Goals of Elementary Science	84.281	8-38	88,792
Ohio Board of Regents: Teaching Science with TOYS--Targeting Ohio II	84.281	8-37	106,636
Ohio Board of Regents: Supporting Standards-based Mathematics Reform in Northwest Local School District and Miami University	84.281	8-36	27,346
Ohio Board of Regents: Focus on Algebraic Thinking Project	84.281	8-34	18,336
Ohio Board of Regents: Using Native American Stories to Attain Ohio Elementary School Competency-based Science Standards	84.281	8-35	76,446

(Continued)

**Miami University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2000**

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
Ohio Board of Education: Motion, Mums, Mathematics, and Meaning: Multidimensional Experience for Teachers	84.281	9-34	23,252
Ohio Board of Regents: Using Native American Stories to attain Ohio Elementary School Competency-based Science Standards	84.281	9-33	6,827
Ohio Board of Regents: ACTIVE Chemistry II: Adding Context+ Technology+Inquiry=Very Exciting Chemistry	84.281	9-37	19,088
Ohio Board of Regents: Blending Reading, Investigating, and Discovery into the Goals of Elementary Science	84.281	9-39	11,192
Subtotal Pass-Through Programs			\$ 506,540
<b>Total U.S. Department of Education</b>			\$ 574,516
<b>U.S. Department of Health and Human Services:</b>			
Risk and Choices: Teaching Environmental Health Science	93.113	1R25ES08192-01	\$ 204,378
Social Influence on Dispersal in Males and Females	93.390	MH57115-01A2	14,862
Subtotal Direct Programs			\$ 219,240
Pass-Through Programs From:			
Ohio Department of Health: Intercollegiate Tobacco Risk Reduction Coalition of Southwestern Ohio	93.283	09-4-01-P-CJ-392	\$ 34,494
Ohio Department of Alcohol and Drug Addiction: Miami University Substance Abuse and Violence Prevention Project	93.959	09-09961-01	28,381
Subtotal Pass-Through Programs			\$ 62,875
<b>Total U.S. Department of Health and Human Services</b>			\$ 282,115
<b>Total Instructional</b>			\$ 2,262,003

(Continued)

Miami University  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2000

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>STUDENT FINANCIAL ASSISTANCE:</b>			
<b>U. S. Department of Education:</b>			
Supplemental Educational Opportunity Grant Program	84.007	POO7A993315	\$ 681,882
College Work Study Program	84.033	PO33A983315	\$ (7,248)
College Work Study Program 99/00	84.033	PO33A993315	\$ 174,781
			<u>\$ 167,533</u>
Pell Grant Program	84.063	PO63P985123	\$ 12,825
Pell Grant Program	84.063	PO63P991321	\$ 4,409,364
			<u>\$ 4,422,189</u>
			<u>\$ 5,271,604</u>
<b>Total Student Financial Assistance</b>			
<b>PUBLIC SERVICE:</b>			
<b>U. S. Department of Commerce:</b>			
National Telecommunication & Info Agency: National Telecommunication and Information Replacement of Production and Broadcast Equipment	11.550	39-01-98115	\$ (4,294)
			<u>\$ (4,294)</u>
<b>Total U. S. Department of Commerce</b>			
<b>U. S. Department of Education:</b>			
Increasing Expectations for Student Academic Effort	84.116	P116B61444-98	\$ 13,142
			<u>\$ 13,142</u>
<b>Total U. S. Department of Education</b>			
<b>National Science Foundation:</b>			
Intergovernmental Personnel Agreement	47.076	ESI-9908386	\$ 171,268
			<u>\$ 171,268</u>
<b>Total National Science Foundation</b>			

(Continued)

Miami University  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2000

Federal Grantor/Pass-Through Grantor/Program or Cluster title	CFDA Numbers	Program Number	Federal Expenditures
<b>Department of Interior:</b>			
Ohio View Clearinghouse Development Project	15.809	98HQAG2135	\$ 656
<b>Total Department of Interior</b>			<u>\$ 656</u>
<b>Total Public Service</b>			<u>\$ 180,772</u>
<b>Total Federal Expenditures</b>			<u>\$ 10,327,463</u>

See accompanying independent auditors' report and notes to Schedule of Expenditures of Federal Awards.



# MIAMI UNIVERSITY

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

### (1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) reflects the disbursements/ expenditures of Miami University under programs of the federal government for the year ended June 30, 2000 using the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in fund balance and current funds, revenues, expenditures and other changes of the University for the year ended June 30, 2000.

Expenditures for non-financial aid awards include facilities and administrative costs, relating primarily to facilities operation and maintenance and general administration services, which are allocated to direct costs (including federal awards) based on negotiated formulas commonly referred to as indirect cost rates. Facilities and administrative costs allocated to such awards for the year ended June 30, 2000 were based on predetermined fixed rates negotiated with the cognizant federal agency, the Department of Health and Human Services.

The activity in the Perkins Loan Program and the Nursing Student Loan Program is recorded in the loan fund of the University's basic financial statements. The revenues and expenses of other programs including facilities and administrative costs and recoveries of those costs under sponsored programs of the federal awards listed on the accompanying Schedule of Expenditures of Federal Awards are recorded in the restricted current fund in the University's basic financial statements.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and various departments of the federal government and federal monies passed through state governments and other organizations.

### (2) Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures for federal student financial assistance programs are recognized as incurred and include Pell grants to students, Federal Supplemental Educational Opportunity Grants, College Work Study earnings, administrative cost allowances and required University match, where applicable. The University also makes loans to certain eligible students under the federal student loan programs; however, these loans are not included in total federal award expenditures (see Note 3).

### (3) Federally-Guaranteed Loans

Federally-guaranteed loans issued to students during the year ended June 30, 2000 are summarized as follows:

Guarantee programs:	
Subsidized Direct Student Loans	\$ 18,295,122
Unsubsidized Direct Student Loans	14,080,371
PLUS	<u>6,592,391</u>
	\$ <u>38,957,884</u>

## **MIAMI UNIVERSITY**

### Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

The University is responsible only for the performance of certain administrative duties with respect to the federally-guaranteed student loan programs and, accordingly, the Direct Student Loans and PLUS Loans are not included in the University's financial statements. It is not practical to determine the balance of loans outstanding to students and parents of students of the University under these programs at June 30, 2000.

Additionally, as of June 30, 2000, the balances of loans outstanding under the Nursing Student Loan program and the Perkins Loan Program were approximately \$2,903 and \$7,577,469, respectively. Total loan advances for the year ended June 30, 2000 were \$1,108,352 for the Perkins Loan program. There were no new loan advances for the Nursing Student Loan program.

**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

**(1) Summary of Auditor's Results**

- (a) Type of report issued on the general purpose financial statements: Unqualified opinion
- (b) Reportable conditions or material weaknesses in the internal control structure that were disclosed by the audit of the financial statements: None reported
- (c) Noncompliance which is material to the general purpose financial statements: None
- (d) Reportable conditions or material weaknesses in the internal control structure over major programs: Yes, see Item 00-1.
- (e) Type of report issued on compliance for major programs: Unqualified opinion
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: Yes, see items 00-1 to 00-4.
- (g) Major programs for the June 30, 2000 audit: Student Financial Assistance; Research and Development; National Science Foundation CFDA Number 47.076; Department of Education CFDA Number 84.281
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$309,824
- (i) Miami University qualified as a low-risk auditee under Section .530 of OMB Circular A-133: Yes

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

**(3) Findings and Questioned Costs Relating to Federal Awards**

**Finding 00-1; Research and Development Cluster; CFDA Number 47.076, National Science Foundation; CFDA Number 84.281, Department of Education**

***Criteria:***

The distribution of individual employee compensation to federally-sponsored research projects must follow the guidance as stated in OMB Circulars A-21 and A-122, and applicable award documents. This guidance requires Miami University to have an acceptable system to capture and distribute personnel service costs so that recorded activity is proper for the Federal award, charges are commensurate with the amount of actual activity, and the record of activity is signed by authorized personnel. Miami University has elected to follow the "After-the-Fact Activity Records" method of payroll distribution. Under this method, activity reports are to be prepared by professorial and professional staff each academic term, but no less frequently than every six months.

***Condition:***

Miami University's employees participating in research and development activities for which Federal funding was received did not complete time and effort reports within the time requirements of OMB Circulars A-21 and A-122. Time and effort reports for the fall semester ending December 1999 were not prepared until August 2000. The activity reports for the spring semester ending May 2000 were also not prepared until August 2000. The preparation of these activity reports did not meet the requirement that such reports be prepared each academic term, but no less frequently than every six months.

***Questioned Costs:***

The exact questioned cost for this issue is unknown. According to University management, no personnel charges to federal grants had to be adjusted as a result of information contained on the late activity reports.

***Effect:***

During fiscal year 2000, the University did not properly document time spent on research and development grants. However, management of Miami University believes that the delay in after-the-fact activity reporting had no material impact on personnel costs charged to federal grant programs.

***Cause:***

When the University converted to a new university-wide information system in fiscal year 2000, activity reporting was not included in the delivered system. Miami University's programming staff wrote the computer reports needed for activity reporting during fiscal year 2000. The programming work was finished in July 2000, and the reports were completed by professorial and professional staff in August 2000.

**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

***Recommendation:***

We recommend the University implement procedures to prepare time and effort reports each academic term, but no less frequently than every six months.

***Management's Response:***

Procedures are in place for fiscal year 2001 to prepare activity reports in accordance with the timeliness requirements of OMB Circular A-21. The delays that occurred in fiscal year 2000 were an extraordinary, one-time event resulting from the implementation of a Year 2000 compliant administrative computing system. Programming work has been completed to enable the University to complete its activity reporting in a timely manner in the future.

**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

**Finding 00-2; Student Financial Aid Cluster, Department of Education**

***Criteria:***

A school is required to have a fair and equitable policy under which the school shall make refunds of unearned tuition, fees, room and board and other charges to students who received HEA Title IV Student Financial Assistance. Under the FEEL program, the school pays the original lender the portion of the refund that is allocable to the loan. All loan proceeds under the FEEL and Direct Loan programs should be returned to the lender within 30 days of the first day of the period of enrollment.

***Condition:***

During our refund test work, we noted two students out of 25 tested had refunds that were improperly calculated. These students were all from the same branch campus, and all had dropped courses prior to final withdrawal from the University.

***Questioned Costs:***

Based on estimates provided by the University, the University refunded \$221 to Federal programs in error.

***Effect:***

In some cases, the University is not properly calculating and refunding amounts owed to lending institutions for students who have previously dropped classes before withdrawing from one particular branch campus.

***Cause:***

Employees at one of the branch campuses were not properly trained on refund calculation procedures.

***Recommendation:***

We recommend that the University properly train employees at the branch campuses to ensure those employees fully understand refund calculations and utilize the correct information to calculate the refund amount.

***Management's Response:***

Training for calculation of return of funds to the Federal government has been completed at two campuses and is scheduled to occur at the University's third campus.

**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

**Finding 00-3; CFDA Number 47.076, National Science Foundation**

***Criteria:***

The University's agreement with the National Science Foundation states that facilities and administrative costs should be billed to the National Science Foundation at a rate of 40%, except for subcontractor fees less than \$25,000, program and miscellaneous computer costs, and consulting and professional services. On grants under CFDA Number 47.076, the facilities and administrative rate for subcontractor fees less than \$25,000 and program and miscellaneous computer costs is 26%. The University absorbs the facilities and administrative costs for consulting and professional fees under this grant agreement.

***Condition:***

Facilities and administrative costs relating to subcontractor fees less than \$25,000 were billed to the National Science Foundation at a rate of 40% from February through June, 2000. Facilities and administrative costs relating to program and miscellaneous computer costs, and consulting fees and professional services were charged to the National Science Foundation at a rate of 40% for the same time period. Program and miscellaneous computer costs should have been charged to the National Science Foundation using a rate of 26%, and the facilities and administrative costs relating to consulting fees and professional services should have been paid by the University.

***Questioned Costs:***

In addition to errors in indirect cost rates, management has informed us that they reviewed all grants under CFDA Number 47.076 and noted certain charges improperly classified between subcontracts over \$25,000 and subcontracts under \$25,000. Management estimates that the total of all errors, including charges improperly classified and indirect cost rates improperly applied, resulted in \$429 that could have been charged to the grants but was instead paid by the University. Management has informed us that they have reviewed all similar grants and determined that the errors are isolated to the National Science Foundation grants for CFDA Number 47.076.

***Effect:***

The University did not correctly calculate the facilities and administrative cost reimbursement amount for subcontractor fees under \$25,000, program and miscellaneous computer costs, and consulting and professional fees under CFDA Number 47.076.

***Cause:***

The cause is a coding error in the University's information system for this particular grant.

***Recommendation:***

We recommend the University ensure that the information system is properly reflecting indirect cost rates for National Science Foundation grants.

**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

***Management's Response:***

The University has corrected this error and adjusted the billing for this CFDA Number. The University has also reviewed all National Science Foundation grants and verified they are properly coded in the system. Miami University ceases to bill for facilities and administrative costs on a grant when the maximum allowable amount is reached according to the grant budget. Thus, although the rate used for facilities and administrative costs caused the grants to be charged more quickly than stipulated by the grant agreement, the total facilities and administrative costs charged to the grant did not exceed, and would not have exceeded, the budgeted total.



**MIAMI UNIVERSITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

**Finding 00-4; Student Financial Assistance, Department of Education**

***Criteria:***

Universities are required to report changes in status for students receiving financial aid to the National Student Loan Clearinghouse (NSLC) within 60 days of the student's status change.

***Condition:***

Status changes for several students tested were not reported to the NSLC within 60 days of the status change.

***Questioned Costs:***

None

***Effect:***

The University is not reporting student status changes to the NSLC in a timely manner.

***Cause:***

The University lacks control procedures to ensure that student status changes are reported within the required timeframe.

***Recommendation:***

We recommend that the University implement a policy requiring student status change reporting to the NSLC within 60 days of the status change.

***Management's Response:***

Miami University sends an electronic file to the NSLC four times a semester. During the audit, the University discovered that any withdrawal processed after the date of the last transmission had not been reported to the NSLC. A majority of these withdrawals were actually "date adjustments" where the withdrawal was backdated to an earlier date.

The University is researching our records to identify any students that fall within this time frame (after the last electronic submission and a process change date). The University will report these changes to the NSLC as soon as research is completed. In addition, the University is instituting procedures that include reporting any changes after the last electronic submission to the NSLC.

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

MIAMI UNIVERSITY

OXFORD, OHIO

Financial Statements

June 30, 2000

With Independent Auditors' Report Thereon



Two Nationwide Plaza  
Columbus, OH 43215-2577

Telephone 614 249 2300  
Fax 614 249 2348

## **Independent Auditors' Report**

The President and The Board of Trustees  
of Miami University

and

Jim Petro, Auditor of State:

We have audited the accompanying balance sheet of WMUB Radio (a noncommercial public radio station owned and operated by Miami University) as of June 30, 2000, and the related statements of support and revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMUB Radio as of June 30, 2000, and its support and revenues, expenses and changes in fund balances and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

October 23, 2000

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

Balance Sheet

June 30, 2000

(with comparative totals at June 30, 1999)

	<u>Current</u>	<u>2000</u> <u>Plant</u>	<u>Total</u>	<u>1999</u> <u>Totals</u>
	<u>Fund</u>	<u>Fund</u>		
Assets:				
Net accounts receivable from Miami University	\$ 90,994	—	90,994	112,795
Property and equipment:				
Building, tower and antenna	—	389,844	389,844	389,844
Studio and broadcast equipment	—	381,605	381,605	367,539
Furniture and fixtures	—	33,883	33,883	33,883
	<u>—</u>	<u>805,332</u>	<u>805,332</u>	<u>791,266</u>
Total property and equipment				
	<u>—</u>	<u>805,332</u>	<u>805,332</u>	<u>791,266</u>
Total assets	\$ <u>90,994</u>	<u>805,332</u>	<u>896,326</u>	<u>904,061</u>
Fund balances	\$ <u>90,994</u>	<u>805,332</u>	<u>896,326</u>	<u>904,061</u>

See accompanying notes to financial statements.

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

Statement of Support and Revenues, Expenses and Changes in Fund Balances

Year ended June 30, 2000  
(with comparative totals for the year ended June 30, 1999)

	<b>2000</b>			<b>1999 Totals</b>
	<b>Current Fund</b>	<b>Plant Fund</b>	<b>Total</b>	
Support and revenues:				
Appropriation from Miami University	\$ 522,004	—	522,004	522,418
Donated facilities and administrative support	252,707	—	252,707	233,790
Corporation for Public Broadcasting grant	132,636	—	132,636	133,348
Membership income	120,030	—	120,030	77,980
In-kind contributions:				
Ohio Educational Telecommunications	56,909	—	56,909	50,661
Ohio Educational Telecommunications (OET) Grant	52,559	—	52,559	49,120
OET capital grant	20,899	—	20,899	6,890
National Telecommunications and Information Administration grant	—	—	—	23,312
Business and underwriting support	41,103	—	41,103	37,922
Other	580	—	580	—
Total support and revenues	<u>1,199,427</u>	<u>—</u>	<u>1,199,427</u>	<u>1,135,441</u>
Expenses:				
Program services:				
Programming and production	546,130	—	546,130	561,789
Broadcasting	116,428	—	116,428	106,785
Program information	48,622	—	48,622	36,607
	<u>711,180</u>	<u>—</u>	<u>711,180</u>	<u>705,181</u>
Supporting services:				
Administrative support	252,707	—	252,707	233,790
Management and general	168,353	—	168,353	155,219
Fund raising	58,489	—	58,489	40,568
Underwriting	16,433	—	16,433	15,798
	<u>495,982</u>	<u>—</u>	<u>495,982</u>	<u>445,375</u>
Total expenses	<u>1,207,162</u>	<u>—</u>	<u>1,207,162</u>	<u>1,150,556</u>
Expenses in excess of support and revenues	(7,735)	—	(7,735)	(15,115)
Transfers –				
Property and equipment additions	(14,066)	14,066	—	—
Net increase (decrease) for the year	(21,801)	14,066	(7,735)	(15,115)
Fund balance, beginning of year	112,795	791,266	904,061	919,176
Fund balance, end of year	<u>\$ 90,994</u>	<u>805,332</u>	<u>896,326</u>	<u>904,061</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Financial resources used for –		
Expenses in excess of support and revenues	\$ (7,735)	(15,115)
Financial resources used for –		
Additions to property and equipment	<u>(14,066)</u>	<u>(35,913)</u>
Net decrease in cash and cash equivalent	(21,801)	(51,028)
Cash and cash equivalent, beginning of year	<u>112,795</u>	<u>163,823</u>
Cash and cash equivalent, end of year	<u>\$ 90,994</u>	<u>112,795</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2000

**(1) Organization and Summary of Significant Accounting Policies**

***Organization***

WMUB Radio (Station) is owned and operated by Miami University (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 the Department of Communication in the University's College of Arts and Sciences.

***Accrual Basis***

The financial statements of the Station have been prepared on the accrual basis. The statement of support and revenues, expenses and changes in fund balances does not purport to represent net income or loss for the period as would a statement of income of a business enterprise operated for profit.

***Fund Accounting***

The assets, liabilities and fund balances of the Station are reported in two self-balancing fund groups as follows:

- (a) The Current Fund is used for transactions in support of programming, community support, and technical and general support services of the Station.
- (b) The Plant Fund is used for transactions relating to investment in Station properties.

***Revenue Recognition***

Contributions and grants which are not restricted as to use by the donor are recorded as revenue in the Current Fund when received. Operating grants restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenues of the Current Fund when the Station has incurred expenditures in compliance with the specific restrictions of the grant.

***Net Accounts Receivable from Miami University***

Miami University maintains cash accounts which 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 in the Current Fund. For the purposes of the statement of cash flows, the net accounts receivable from Miami University is considered a cash equivalent.

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

Notes to Financial Statements

June 30, 2000

***Equipment***

Equipment is recorded at cost as of the date of acquisition or fair value at date of donation in the case of gifts. Expenditures for repairs and maintenance are charged to operating expense as incurred. Depreciation of equipment is not required to be recorded by governmental institutions of higher education.

***Donated Facilities and Administrative Support***

Donated facilities from the University consist of office and studio space, use of the broadcast tower and occupancy cost, and are recorded as revenues and expenses in the accompanying statement of support and revenues, expenses and changes in fund balances in accordance with allocation guidelines provided by the Corporation for Public Broadcasting (CPB).

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

***In-kind Support***

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

***Use of Estimates***

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

**(2) 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.



**MIAMI UNIVERSITY**

Intercollegiate Athletics Department

National Collegiate Athletic Association

Year ended June 30, 2000



Two Nationwide Plaza  
Columbus OH 43215-2577

Telephone 614 249 2300  
Fax 614 249 2348

## **Independent Accountant's Report**

Dr. James C. Garland, President  
Miami University:

We have performed the procedures enumerated below, which were agreed to by Dr. James C. Garland, President, Miami University, and the management of Miami University solely to assist in evaluating (1) whether the Statement of Revenues and Expenditures of the Intercollegiate Athletics Department of Miami University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1 and (2) the effectiveness of Miami University Intercollegiate Athletics Department's internal control over financial reporting for the year ended June 30, 2000. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of 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.

### **Procedures Related to Statement of Revenues and Expenditures**

- a. We obtained the Statement of Revenues and Expenditures (the Statement) of the Intercollegiate Athletics Department for the year ended June 30, 2000, as prepared by management and presented as the Exhibit to this report. We recalculated the addition of the amounts on the Statement and agreed the amounts to the general ledger. We found no exceptions as a result of these procedures.
- b. We compared the revenues and expenditures as reported in the Exhibit to 2000 budgeted and 1999 actual amounts. We discussed the nature of account relationships with management and obtained explanations of fluctuations greater than \$30,000 and changes of 15% or more relative to both the previous year and budgeted amounts. We found no exceptions as a result of these procedures.
- c. We obtained a listing of all gifts to Intercollegiate Athletics prepared by management and determined that there were no contributions received directly by the University which constituted more than 10% of all contributions received for Intercollegiate Athletics.

### **Procedures Related to Internal Control Over Financial Reporting**

- d. We discussed with management the general control environment including the department organization, control consciousness of the staff, competency of the department, and adequacy of safeguard controls over records and assets.
- e. We obtained an understanding of the relationship of the Athletic Department to specific systems of cash receipts and disbursements, and reviewed accounting controls in connection with the audit of Miami University.

- f. We selected a sample of twenty cash receipts for revenue transactions, including ticket sales, of Intercollegiate Athletics. All transactions were agreed to the detail of the deposit slips, the Bursar's receipt, and the general ledger. We found no exceptions as a result of these procedures.
- g. We obtained a listing of Intercollegiate Athletics expenditures for the year ended June 30, 2000. We randomly selected a sample of twenty expenditures, ten of which related to travel. The other ten related to non-travel expenditures. We traced and agreed the amount of each expenditure to copies of checks and the general ledger. Travel expenditures were agreed to authorized travel expense reports or request forms, and non-travel related expenditures were traced and agreed to authorized supporting documentation. We noted one expenditure for \$2,686.04 was improperly classified as uniforms expense instead of travel expense. No other exceptions were noted.
- h. We inquired of management concerning the University's procedures for gathering information on the nature and extent of the outside organization's activity for or on behalf of the Intercollegiate Athletics programs.

We were informed that on a periodic basis, the Assistant Vice President for Recreational Facilities/Associate Athletic Director reviews the financial activity of the outside organization. We obtained from the Treasurer of the outside organization a detail listing of the outside organization's cash receipts and cash disbursements for the year ended June 30, 2000.

#### **Procedures Related to Outside Organization**

- i. We obtained the following list of booster organizations and their related financial activities for the year ended June 30, 2000:

<b>Organization</b>	<b>Beginning cash balance</b>	<b>Cash receipts</b>	<b>Cash disbursements</b>	<b>Ending cash balance</b>
Blue Line Club	\$ 3,600	10,084	9,926	3,758

- j. We confirmed with management that the foregoing represents a complete list of the outside booster organizations which conducted any transactions for or on behalf of the Miami University Intercollegiate Athletics programs during the year ended June 30, 2000.
- k. We agreed total cash receipts and cash disbursements to a detail listing prepared by the Treasurer of the Blue Line Club. We also confirmed with him that the foregoing table represents a complete and accurate accounting of the financial activities of the organization for the year ended June 30, 2000.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenditures of the Intercollegiate Athletics of Miami University or the effectiveness of Miami University Intercollegiate Athletics internal control over financial reporting for the year ended June 30, 2000. 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 use of Dr. James C. Garland, President, Miami University, the management of Miami University, and authorized representatives of the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 12, 2000

MIAMI UNIVERSITY  
Intercollegiate Athletics Department  
Statement of Revenues and Expenditures  
Year ended June 30, 2000  
(Unaudited)

Exhibit

	Men's Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
<b>Revenues:</b>							
Student activity fees	\$ 1,166,290	383,989	514,710	929,765	1,724,214	1,890,332	6,609,300
Ticket sales	607,991	211,903	5,724	96,671	-	-	922,289
Guarantees	395,000	28,000	2,500	32,062	-	-	457,562
Program advertising	-	-	-	-	-	21,410	21,410
Programs, merchandise, handbooks	-	-	114	-	-	16,966	17,080
Advertising, promotions and events	-	-	-	-	73,676	418,244	491,920
Vending proceeds	-	-	-	-	-	26,939	26,939
Seminars and workshops	-	2,287	224	5,380	9,903	3,705	21,499
Federal work study program	-	94	-	-	-	5,609	5,703
Other	96,545	11,593	2,291	16,282	37,119	20,460	184,290
Temporary investment income	-	-	-	-	-	100,000	100,000
Endowment income	-	-	-	-	-	69,199	69,199
Gifts	8,043	13,068	-	180,462	1,280	257,880	460,733
Tournaments	-	30,636	-	-	-	455,832	486,468
<b>Total revenues</b>	<b>2,273,869</b>	<b>681,570</b>	<b>525,563</b>	<b>1,260,622</b>	<b>1,846,192</b>	<b>3,286,576</b>	<b>9,874,392</b>
<b>Expenditures:</b>							
Financial aid	866,151	111,257	131,959	346,626	597,357	70,318	2,123,668
Coaches salaries	559,364	179,847	143,235	286,935	448,009	-	1,617,390
Other salaries and wages	43,911	18,833	17,089	31,960	4,977	1,278,490	1,395,260
Staff benefits	161,835	52,442	39,896	76,137	106,235	332,714	769,259
Team travel	120,871	94,059	54,845	225,431	360,335	43,043	898,584
Travel	7,769	2,251	5,100	10,532	13,230	39,018	77,900
Recruiting	33,247	33,316	29,283	58,642	70,347	6,872	231,707
Equipment and supplies	136,991	21,604	23,319	115,587	163,768	303,392	764,661
Maintenance and administration	40,111	4,750	14,032	27,551	17,141	47,009	150,594
Game expenses	77,683	87,530	26,453	35,195	59,252	20,981	307,094
Tournaments	-	-	7,072	-	-	-	7,072
Telephone	18,230	11,786	8,688	22,046	23,168	76,678	160,596
Postage	17,195	9,780	5,927	6,749	8,155	50,875	98,681
Guarantees	20,000	32,044	4,500	12,000	-	16,000	84,544
Complimentary tickets	3,384	-	-	-	-	-	3,384
Textbooks	36,141	6,608	5,482	21,164	32,331	337	102,063
Printing and advertising	27,346	11,353	5,933	17,647	26,671	226,532	315,482
Hospitality	73,004	1,257	-	10,730	15,467	129,712	230,170
Services	-	7,586	2,750	18,638	35,426	220,252	284,652
Other	30,636	-	-	-	-	63,132	93,768
<b>Total expenditures</b>	<b>2,273,869</b>	<b>686,303</b>	<b>525,563</b>	<b>1,323,570</b>	<b>1,981,869</b>	<b>2,925,355</b>	<b>9,716,529</b>
Excess (deficit) of revenues over expenditures	-	(4,733)	-	(62,948)	(135,677)	361,221	157,863
Transfers from other funds	-	4,733	-	62,948	135,677	119,413	322,771
Unrestricted allocated funds	-	-	-	-	-	(36,346)	(36,346)
Excess (deficit) of restricted revenues over expenditures	11,122	(1,037)	69	105,107	(680)	171,907	286,488
<b>Net increase/(decrease) in fund balance \$</b>	<b>11,122</b>	<b>(1,037)</b>	<b>69</b>	<b>105,107</b>	<b>(680)</b>	<b>616,195</b>	<b>730,776</b>
<b>Other institutional expenditures on behalf of intercollegiate athletics:</b>							
Salaries and benefits	-	-	-	-	67,028	304,222	371,250
Scholarships and fee waivers	301,915	82,532	68,032	433,956	352,582	-	1,239,017
<b>Total athletics expenditures</b>	<b>\$ 2,575,784</b>	<b>768,835</b>	<b>593,595</b>	<b>1,757,526</b>	<b>2,401,479</b>	<b>3,229,577</b>	<b>11,326,796</b>



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MIAMI UNIVERSITY**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2001**