Miami University

Financial Statements for the Years Ended June 30, 2003 and 2002 and Single Audit Reports for the Year Ended June 30, 2003

Auditor of State
Betty Montgomery

Board of Trustees
Miami University

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 9, 2003

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MIAMI UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Miami University (the "University") as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Miami University as of June 30, 2003 and 2002, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2 – 10 is not a required part of the basic financial statements, but is supplementary information required by GASB. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2003, 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.

Deloitte & Touche LLP

October 8, 2003

Deloitte
Touche
Tohmatsu

Management Discussion and Analysis
June 30, 2003 and 2002

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Miami University for the year ended June 30, 2003 and 2002. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared by and are the responsibility of university management.

Using the Financial Statements

The university's annual report contains three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Other Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statement No. 37 and 38. These statements establish standards for external financial reporting and provide a consolidated perspective of the university's assets, liabilities, net assets, revenues, expenses and cash flows.

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

Financial Highlights

Overall, the university's financial position remained strong at June 30, 2003, with total assets of $680.0 million and liabilities totaling $112.4 million. During fiscal year 2003, the state's support of instruction decreased by $2.7 million. In anticipation of this reduction in state support, during fiscal year 2002 the University utilized an 18-month planning process to impose a permanent departmental budget cut on the Oxford campus of $3.1 million. Through this initiative, the university was able to hold tuition increases below 10 percent and not have to use any reserves.

In fiscal year 2003, the Oxford campus tuition increased by 9.9 percent. This increase was used to offset such items as a 3.2 percent cut in state support for instruction and other educational programs, unfunded mandates such as extensive reporting requirements of graduate and international students for homeland security, OSHA requirements for laboratories and workplace compliance, and the continual rise in health care costs. In addition, the increase was used for new program initiatives, which include increases in student financial assistance that is used to attract the best and brightest students and to help those students with financial need. It was also used for larger investments in technology to meet the needs of students, faculty, and staff.

Extraordinary Item -- Worker's Compensation

In fiscal year 2002, the State of Ohio required state universities to record a portion of the state's workers compensation liability in its financial statements. In fiscal year 2003, the State of Ohio reversed this decision and as such the worker's compensation liability and all related expenses have been completely reversed in the accompanying 2003 financial statements.

Under the State of Ohio's Workers' Compensation program, the university is part of a pool of state agencies and state universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. In fiscal year 2002, as part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State of Ohio required each state agency and state university to record a portion of the estimated actuarial liability for worker's compensation in its financial statements. Accordingly, the university's Statement of Net Assets reflected an unfunded workers' compensation liability of $10,416,788 at June 30, 2002. The university's 2002 Statement of Revenues, Expenses, and Changes in Net Assets included $3,302,546 in Operating Expenses and a $7,114,242 decrease in the restated Net Asset Beginning Balance.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine this accounting treatment. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the university's Statement of Net Assets reflect a reallocation of the $10,416,788 unfunded workers' compensation liabilities to the State of Ohio, which reduces this liability to $0 at June 30, 2003. This entire reduction of expense was reported on the university's 2003 Statement of Revenues, Expenses, and Changes in Net Assets as an Extraordinary Item.

The recording and the reversal of the worker's compensation liability had no impact on cash and the overall effect on net assets is zero over the two fiscal years reported in these financial statements.

Summary of Net Assets	
Net Assets, as of June 30, 2001	$ 792,441,750
Cumulative effect of change in accounting principal:	
- Accumulated depreciation	(273,571,947)
- Federal Perkins loan program	(6,130,766)
- Worker's Compensation	(10,416,788)
2002 Increase in Net Assets (excluding the $3,302,546 in operating expense reported in the Worker's Compensation line above)	31,326,688
Net assets, as of June 30, 2002	$ 533,648,937
Reversal of the 2002 Worker's Compensation allocation reported as an Extraordinary Item	10,416,788
2003 Increase in Net Assets (excluding the Extraordinary Item)	23,548,976
Net assets, as of June 30, 2003	$ 567,614,701

Statement of Net Assets

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

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reports the institution's net equity in property, plant and equipment. The second major category, restricted net assets, reports net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The corpus of the unexpendable restricted net assets is available for investment purposes only. The expendable restricted net assets may be expended by the institution, but must be spent only for the purpose as determined by a donor or external entity. The third category is unrestricted net assets and is separated into two types; allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are allocated for a specific purpose within the institution by university policy, management or the governing board. The allocated unrestricted net assets were $135,810,193 and $120,256,798 as of June 30, 2003 and 2002 respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

	2003	2002
Assets		
Current assets	$ 193,035,123	$ 178,061,026
Capital assets, net of accumulated depreciation	385,428,786	375,016,654
Investments	95,064,268	98,060,540
Other assets	6,462,776	5,971,261
Total assets	$ 679,990,953	$ 657,109,481
Liabilities		
Current liabilities	$ 53,659,508	$ 50,489,439
Noncurrent Liabilities	58,716,744	72,971,105
Total liabilities	$ 112,376,252	$ 123,460,544
Net assets		
Invested in capital assets, net of related debt	$ 335,968,305	$ 320,281,245
Restricted net assets – nonexpendable	51,566,539	53,083,183
Restricted net assets – expendable	34,315,935	33,576,599
Unrestricted net assets	145,763,922	126,707,910
Total net assets	$ 567,614,701	$ 533,648,937
Total liabilities and net assets	$ 679,990,953	$ 657,109,481

Total assets of the institution increased 3.5 percent or $22.9 million. This increase was primarily due to the increase in current assets and capital assets, net of accumulated depreciation. The current asset increase was due to the increase in short-term investments, which was a direct result of a change in our investment policy that yielded higher earning rates. The Hughes Hall renovation, MacMillian Hall renovation, McKie Field/Hayden Park, Electrostatic Precipitator, and the Bunger Field Utility Tunnel construction projects that were previously in progress were completed and account for the increase in net capital assets. The other asset categories including long-term investments and other assets experienced modest increases or decreases.

Total liabilities of the institution decreased 9.0 percent or $11.1 million. This is the net result of the $3.2 million increase in the current liabilities, the $5.8 million payment of debt principal, and the reversal of the $10.4 million allocation of state unfunded worker's compensation liability. The increases in current liabilities were reported in accounts payable and deferred income. All other current liabilities and long-term liabilities remained relatively unchanged.

The increase in assets and the decrease in liabilities yielded the overall increase in net assets of $34.0 million. Specifically, the invested in capital assets, net of related debt increased $15.7 million or 4.9 percent due to the completion and capitalization of the construction projects, as previously discussed. The decrease of $1.5 million or 2.9 percent in non-expendable restricted net assets is a result of the market decline and the reduction of the endowment fund corpus. The $19.1 million or 15.0 percent increase in the unrestricted net assets is a net result of four items; a net increase in the allocated fund, a small net decrease in the corpus of the quasi-endowment fund due to market declines, a net increase in the renewals and replacements fund, and the reversal of the allocation of state unfunded worker's compensation liability.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the university's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or non-operating. Operating revenues are generated by providing goods and services to various customers and constituencies of the institution. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the university. Non-operating revenues are received without an exchange for goods and services. Interest on debt is the primary example of non-operating expenses. Revenue from state capital appropriations is reported as other revenue.

	2003	2002
Operating revenues		
Student tuition and fees, net	$ 166,193,798	$ 148,839,525
Sales and services of auxiliary enterprises, net	79,591,938	75,700,425
Sponsored programs	10,242,993	10,181,134
Other operating revenue	6,674,887	6,209,079
Total operating revenues	262,703,616	240,930,163

Operating expenses		
Instruction and departmental research	131,985,962	127,847,588
Auxiliary enterprises	83,700,099	80,824,404
Institutional support	31,985,057	28,799,434
Academic support	27,231,648	23,221,591
Plant operation and maintenance	23,974,900	22,576,876
Depreciation	23,824,773	21,223,092
Student services	20,542,620	19,101,324
Student scholarships	10,455,233	8,779,312
Other operating expenses	12,588,050	13,497,630
Total operating expenses	366,288,342	345,871,251
Net operating loss	(103,584,726)	(104,941,088)
Non-operating revenues		
State share of instruction	80,385,851	83,079,623
Gifts	15,092,724	18,868,849
Other non-operating revenue	23,253,309	17,092,887
Total non-operating revenues	118,731,884	119,041,359
Non-operating expenses	(3,350,932)	(2,925,622)
Other revenues and expenses	11,752,750	16,849,493
Extraordinary items	10,416,788	0
Increase in net assets	33,965,764	28,024,142
Net assets at the beginning of year, as restated	533,648,937	505,624,795
Net assets at the end of year	$ 567,614,701	$ 533,648,937

Total operating revenue increased by 9.0 percent or $21.8 million. This increase is a result of a modest increase in student enrollment, the increase in the student tuition and fee rates, and the increase in room and board rates.

Total operating expenses increased by 5.9 percent or $20.4 million. This increase is mainly due to the 3 percent average increase in employee salaries, increases in employee benefit costs such as health care insurance, and an increase in institutional financial aid awards.

Non-operating revenues decreased by $0.3 million or less than one percent. Even though the total decrease was not significant, there were several financial events that occurred that were noteworthy. First, the state support for instruction and other educational programs decreased by $2.7 million or 3.2 percent. Second, the fourth quarter of fiscal year 2003 showed an improvement in investments. This improvement resulted in an increase in investment income of $4.2 million and a smaller decrease in the fair market value of investments of $12.2 million. Third, as previously reported, during fiscal year 2002 the university received over 200,000 shares of stock as a result of a one-time demutualization of Anthem Insurance. The stock was sold and the proceeds totaled over $12.2 million. Finally, revenue from gifts decreased by $3.8 million.

State Capital Appropriations, the only item under other revenue, decreased by $5.1 million. This variation is a result of timing and the completion of several capital projects. It is not a result of a decrease in state capital appropriation. The state supported capital projects that were completed in fiscal year 2003 include the renovation of Hughes Hall, the renovation of MacMillan Hall and the completion of the Electrostatic Precipitator.

The extraordinary item is a $10.4 million reduction of expense related to the State of Ohio's reversal of the previous decision to require state universities to record a portion of the state's worker's compensation liability. In fiscal year 2002, this expense was recorded as $3.3 million in Operating Expenses and a $7.1 million decrease in the restated Net Asset Beginning Balance in the Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the major sources and uses of cash by the institution for the fiscal year. The cash flow analysis is divided into four major areas: Cash Flows from Operating Activities, Cash Flows from Non-capital Financing Activities, Cash Flows from Capital and Related Financing Activities, and Cash Flows from Investing Activities.

	2003	**2002**
Net cash used by operating activities	$ (74,676,381)	$ (80,890,807)
Net cash provided by non-capital activities	106,076,378	124,073,936
Net cash used for capital and related financing activities	(30,053,968)	(33,700,707)
Net cash provided/(used) by investing activities	(1,448,786)	(13,219,682)

Net increase/(decrease) in cash	(102,757)	(3,737,260)
Cash & cash equivalents at beginning of year	36,590,756	40,328,016
Cash and cash equivalents at end of year	$ 36,487,999	$ 36,590,756

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

Capital Assets and Debt Administration

During fiscal year 2003, the university completed several capital construction projects. The completion of major capital construction projects on existing facilities includes the renovation of Hughes Hall and MacMillan Hall and the Electrostatic Precipitator. The completion of major capital construction projects on new facilities includes Bunger Utility Tunnel and the McKie Field/Hayden Park athletic facility. See footnote 4 for additional information concerning capital assets and the related accumulated depreciation.

The university did not issue any new debt and no bonds were defeased in fiscal year 2003. Scheduled debt payments were made on the 1993 general receipt bonds, the 1998 general receipt bonds, and the outstanding U. S. Department of Education note payable. There were no significant changes in the outstanding capital lease balance or payments during fiscal year 2003. There have been no significant changes in the university's credit rating or debt limitations that may affect future financing. For more detailed information on current outstanding debt, see footnote 6.

Economic Factors That Will Affect the Future

Combining conservative fiscal management and progressive programming strategies, the university continues its strong financial condition. The new progressive scholarship enhancement and tuition plan, the continued refinement of the long-range capital plan, the new $70 million capital campaign, the permanent budget cuts that were implemented in anticipation of the decrease in state support, and the issuance of new bonds are all investments for the future to ensure the university's continued financial stability while providing the highest level of service to our students.

During fiscal year 2003, the university announced a new progressive scholarship enhancement and tuition plan that will affect first-year Ohio students beginning in the fall of 2004. Under this new plan, all Oxford campus undergraduate students will be charged the same tuition regardless if they are in-state (Ohio residents) or out-of-state students. However, all in-state students will receive a fixed-dollar Ohio Residency Scholarship that is equal to or greater than the instructional support from the State of Ohio. In addition, each Ohio student will receive a sizable and variable Ohio Leader Scholarship that will be awarded to each student based on financial need, academic qualifications and/or enrollment in study areas that are key to the State of Ohio's economic development. The goals of this new plan include making a Miami education more affordable for low and middle income Ohioans, providing incentives for top Ohio students to stay in Ohio and study in areas crucial to Ohio's future, and broadening the socioeconomic, academic and racial diversity of the student body.

In October of 2003, the university will issue approximately $64 million in fixed-rate revenue bonds with a 20-year maturity and are collateralized by general receipts of the university. The proceeds from the sale of bonds will be used to build new apartment style student housing, to upgrade the electrical infrastructure, to construct and equip a co-generation facility, to make improvements to the Yager Sports Complex, to refinance a portion of the remaining 1993 general receipts bonds and to provide planning and design money for future capital projects.

Although the university's state share of instruction declined by another $2.7 million in fiscal year 2003, there appears to be signs of a slow recovery in the State of Ohio and the rest of the country. If this recovery continues, it appears there may be small increases in state support for the 2005 - 2006 biennium. However, the economic outlook is still uncertain and state support could be reduced again in the future.

The university's senate bill 6 ratios, which measure the overall financial condition of the institution and its ability to meet future obligations, continue to surpass the benchmarking standards. The university's current ratio, which measures the institutions ability to satisfy its current obligations, remained at 3.6, which is good in comparison to industry standards. The university's bond rating continues to be high with an A+ rating from Standard & Poor's.

In spite of the economic uncertainty, university management continues to move the university forward by developing new initiatives such as new wireless networking in selected buildings, new technology-style classrooms, the new capital construction projects as outlined above, the new capital campaign and the new progressive scholarship enhancement and tuition plan. As the university moves into this new and exciting era, the financial position of the university remains strong.

Miami University
Statement of Net Assets
June 30, 2003 and 2002

		2003		2002
ASSETS				
Current Assets				
Cash and cash equivalents	$	36,487,999	$	36,590,756
Investments		126,851,694		110,627,895
Accounts, pledges and notes receivable, net		24,889,171		26,816,971
Inventories		3,215,922		3,291,443
Prepaid expenses and deferred charges		1,590,337		733,961
Total current assets		193,035,123		178,061,026
Noncurrent Assets				
Investments		95,064,268		98,060,540
Pledges and notes receivable, net		6,462,776		5,971,261
Capital assets, net		385,428,786		375,016,654
Total noncurrent assets		486,955,830		479,048,455
Total assets	**$**	**679,990,953**	**$**	**657,109,481**
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$	12,446,183	$	10,669,422
Accrued salaries and wages		15,819,776		15,272,625
Accrued compensated absences		745,736		737,456
Deferred revenue		11,416,186		10,303,584
Deposits		7,668,918		7,282,547
Long term debt - current portion		5,562,709		5,767,753
Allocation of state unfunded worker's compensation		0		456,052
Total current liabilities		53,659,508		50,489,439
Noncurrent Liabilities				
Accrued compensated absences		10,008,495		9,402,341
Bonds payable		37,784,884		42,054,884
Note payable		2,169,699		2,219,537
Capital leases payable		2,477,606		3,126,599
Federal Perkins loan program		6,276,060		6,207,008
Allocation of state unfunded worker's compensation		0		9,960,736
Total noncurrent liabilities		58,716,744		72,971,105
Total liabilities		112,376,252		123,460,544
Net Assets				
Invested in capital assets, net of related debt		335,968,305		320,281,245
Restricted net assets				
Nonexpendable		51,566,539		53,083,183
Expendable		34,315,935		33,576,599
Unrestricted net assets		145,763,922		126,707,910
Total net assets		567,614,701		533,648,937
Total liabilities and net assets	**$**	**679,990,953**	**$**	**657,109,481**

See accompanying notes to financial statements.

Miami University
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2003 and 2002

	2003	2002
OPERATING REVENUES		
Tuition, fees, and other student charges	$ 187,617,299	$ 168,342,579
Less allowance for student scholarships	(21,423,501)	(19,503,054)
Net tuition, fees, and other student charges	166,193,798	148,839,525
Sales and services of auxiliary enterprises	81,841,719	77,873,157
Less allowance for student scholarships	(2,249,781)	(2,172,732)
Net sales and services of auxiliary enterprises	79,591,938	75,700,425
Federal contracts	6,023,881	6,324,857
Sales and services of educational activities	3,971,119	4,345,379
Private contracts	1,901,788	2,529,535
State contracts	1,847,155	881,779
Local contracts	470,169	444,963
Other	2,703,768	1,863,700
Total operating revenues	262,703,616	240,930,163
OPERATING EXPENSES		
Instruction and departmental research	131,985,962	127,847,588
Auxiliary enterprises	83,700,099	80,824,404
Institutional support	31,985,057	28,799,434
Academic support	27,231,648	23,221,591
Plant operation and maintenance	23,974,900	22,576,876
Depreciation	23,824,773	21,223,092
Student services	20,542,620	19,101,324
Student scholarships	10,455,233	8,779,312
Separately budgeted research	6,969,705	6,964,963
Public service	2,049,220	2,119,242
Other	3,569,125	4,413,425
Total operating expenses	366,288,342	345,871,251
Net operating loss	(103,584,726)	(104,941,088)
NONOPERATING REVENUES		
State share of instruction	80,385,851	83,079,623
Gifts	15,092,724	18,868,849
Federal grants	8,919,441	7,770,618
Other investment income	10,392,034	6,163,125
Endowment income	4,694,729	4,922,176
State grants	1,859,085	3,009,883
Net decrease in fair value of investments	(5,122,023)	(17,320,248)
Other	2,510,043	12,547,333
Total nonoperating revenues	118,731,884	119,041,359
NONOPERATING EXPENSES		
Interest on debt	2,501,484	2,704,686
Other	849,448	220,936
Total nonoperating expenses	3,350,932	2,925,622
Income before other revenues, expenses, gains or losses and extraordinary items	11,796,226	11,174,649
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State capital appropriation	11,752,750	16,849,493
Income before extraordinary items	23,548,976	28,024,142
EXTRAORDINARY ITEMS		
Reversal of 2002 Workers Compensation allocation	10,416,788	0
INCREASE IN NET ASSETS	**$ 33,965,764**	**$ 28,024,142**
Net assets at beginning of year	533,648,937	505,624,795
Net assets at end of year	$ 567,614,701	$ 533,648,937

See accompanying notes to financial statements.

Miami University
Statement of Cash Flows
Year ended June 30, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition, fees, and other student charges	$ 190,023,834	$ 168,601,742
Sales and services of auxiliary enterprises	81,808,704	79,160,053
Contracts	12,119,929	7,891,236
Other operating receipts	6,787,336	6,395,645
Payments for employee compensation and benefits	(176,961,289)	(171,988,954)
Payments to vendors for services and materials	(156,534,452)	(141,587,313)
Student scholarships	(31,878,734)	(28,282,366)
Loans issued to students and employees	(2,521,120)	(2,200,772)
Collection of loans from students and employees	2,479,411	2,002,185
Other operating payments	0	(882,263)
Net cash used by operating activities	(74,676,381)	(80,890,807)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State share of instruction	80,385,851	83,079,623
Grants for noncapital purposes	10,772,975	10,773,896
Gifts	14,917,552	30,220,417
Net cash provided by noncapital financing activities	106,076,378	124,073,936
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriation	11,970,816	23,219,162
Grants for capital purposes	40,552	6,605
Other capital and related receipts	470,666	223,016
Payments to construct, renovate, or purchase capital assets	(34,450,992)	(48,717,960)
Principal paid on outstanding debt	(5,823,323)	(5,964,978)
Interest paid on outstanding debt	(2,261,687)	(2,466,552)
Net cash used for capital and related financing activities	(30,053,968)	(33,700,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	509,576,077	502,778,626
Purchases of investments	(524,571,666)	(542,423,306)
Endowment income	5,773,295	19,464,908
Other investment income	7,773,508	6,960,090
Net cash used by investing activities	(1,448,786)	(13,219,682)
NET DECREASE IN CASH	**$ (102,757)**	**$ (3,737,260)**
Cash and cash equivalents at beginning of year	36,590,756	40,328,016
Cash and cash equivalents at end of year	$ 36,487,999	$ 36,590,756

See accompanying notes to financial statements.

Miami University
Statement of Cash Flows
Year ended June 30, 2003 and 2002

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

	2003	2002
Net Operating Loss, per Statement of Revenues, Expenses, and Changes in Net Assets	$ (103,584,726)	$ (104,941,088)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	23,824,773	21,223,092
Net loss on disposal of capital assets	403,266	397,847
Accounts receivable bad debt write off	2,230,055	
Adjustments to reconcile change in net assets to net cash used by operating activities		
Accounts receivable	(1,020,979)	(5,738,297)
Inventories	75,521	(275,790)
Prepaid expenses	(856,376)	227,784
Notes receivable	20,148	(144,666)
Accounts payable	1,502,327	170,225
Accrued salaries	547,151	603,208
Compensated absences	614,434	241,425
Deferred income	1,498,973	3,966,665
Federal Perkins loans	69,052	76,242
Worker's Compensation		3,302,546
Net cash used in operating activities	$ (74,676,381)	$ (80,890,807)

See accompanying notes to financial statements.

(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.

Basis for Presentation

Effective July 1, 2001, the university adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statement No. 37 and 38. These statements establish standards for external financial reporting and provide a comprehensive perspective of the university's assets, liabilities, net assets, revenues, expenditures and cash flows.

In May 2002, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* was issued. This Statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The provisions of this Statement are effective for financial statements for the fiscal year ending June 30, 2004. At this time, the university has determined that by definition the Miami University Foundation is a component unit of the university. The university is planning to display the financial activity of the Miami University Foundation through a discrete presentation as part of the university's financial statements.

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. Land and collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings, 25 years for infrastructure, library books and land improvements, 20 years for improvements to buildings, and 5 to 7 years for equipment, vehicles and furniture.

Deferred Revenue

Tuition and fees relating to summer sessions that are conducted in July and August are recorded in the accompanying statement of net assets as deferred revenue. Deferred revenue also includes the computer sales in the university bookstore for the fall semester and the amounts received from grants and contract sponsors that have not yet been earned. These will be recorded as revenue in the following fiscal year.

Operating and Non-operating Revenue

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

Compensated Absences

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

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

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reports the institution's net equity in property, plant and equipment. The second major category is restricted net assets. This category contains net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The corpus of the unexpendable restricted net assets is available for investment purposes only. The expendable restricted net assets may be expended by the institution, but must be spent only for the purpose as determined by a donor or external entity. The income generated from the unexpendable restricted investments and the expendable restricted funds may be used for student loans, scholarship and fellowships, instruction, research, and other needs to support the operation of the university. The third category is unrestricted net assets and is separated into two types; allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are allocated for a specific purpose within the institution by university policy, management or the governing board. The allocated unrestricted net assets were $135,810,193 and $120,256,798 as of June 30, 2003 and 2002, respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

Tax Status

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

Estimates

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

(2) Cash and Investments

The university makes investments in accordance with the board's policy, which conforms with 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 carrying amount of the university's cash and cash equivalents was approximately $36,488,000 as compared to the bank balances of approximately $39,398,000. The difference in the carrying amount and the bank balances are caused by deposits in transit and outstanding checks. Approximately $800,000 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, 2003 are presented below. Investments are categorized according to the level of custodial credit risk involved. The 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.

Fair Value	**2003**	**2002**
Category 1		
Common and preferred stocks	$ 55,749,917	$ 45,135,126
U. S. Government securities	37,890,778	48,706,729
Corporate Bonds	18,731,951	15,000,722
Total Investments – Category 1	$ 112,372,646	$ 108,842,577
Not Categorized		
Mutual funds	$ 88,558,897	$ 75,030,066
State Treasury Asset Reserve of Ohio (STAROhio)	17,476,820	17,259,496

Fair value	2003	2002
Limited partnerships	2,718,767	5,901,210
Real estate and other	788,832	1,655,086
Total Investments Not Categorized	$ 109,543,316	$ 99,845,858
Total	$ 221,915,962	$ 208,688,435

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.

STAROhio is an investment pool managed by the state treasurer's office which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio's share price, which is the price the investment could be sold for on June 30, 2003 and 2002.

The hedge funds, which are included in the mutual funds may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The university's objective for investing in these hedge funds is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

The majority of limited partnerships, private equity, and other investments are carried at estimated fair value provided by the management of these funds as of March 31, 2003 and 2002 as adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2003 and 2002. The university believes that the carrying amount is a reasonable estimate of fair value as of June 30, 2003 and 2002. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting. As of June 30, 2003, the university has made commitments to limited partnerships totaling $5.4 million that have not yet been funded.

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 2003 and 2002 was 4.8 percent of the average quarterly market value of pooled investments for the previous three-year period, or $4,728,504 in 2003 and $4,903,395 in 2002. Of this amount, $3,131,013 and $2,615,173 of accumulated gains was utilized to meet the spending rate in 2003 and 2002, respectively. In accordance with donors' stipulations, a portion of the earnings was returned to endowment principal and the balance of $4,423,026 and $4,629,274 was distributed for expenditure for 2003 and 2002, respectively.

(3) Accounts Receivable

The accounts, pledges and notes receivable as of June 30, 2003 and 2002, are summarized as follows:

	2003	2002
Accounts Receivable		
Student receivables	$ 9,773,979	$ 11,287,791
University Foundation	4,142,643	4,564,187
State capital appropriations	3,936,920	4,154,986
Grants and contracts	3,087,524	3,388,853
Other receivables	1,883,324	1,226,715
Total accounts receivable	$ 22,824,390	$ 24,622,532
Less allowance for doubtful accounts	(2,000,000)	(2,000,000)
Net accounts receivable	$ 20,824,390	$ 22,622,532
Pledges Receivable		
Pledges receivable	$ 2,224,689	$ 1,943,513
Less allowance for doubtful pledges	(500,020)	(461,000)
Net pledges receivable	$ 1,724,669	$ 1,482,513
Notes Receivable		
Federal loan programs	$ 7,632,842	$ 7,521,794
University and other loan programs	2,311,046	2,302,393
Total notes receivable	$ 9,943,888	$ 9,824,187
Less allowance for doubtful notes	(1,141,000)	(1,141,000)
Net notes receivable	$ 8,802,888	$ 8,683,187
Total	$ 31,351,947	$ 32,788,232

(4) Capital Assets

The capital assets and accumulated depreciation as of June 30, 2003, are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	$ 2,296,712	$ 0	$ 0	$ 2,296,712
Infrastructure	55,781,904	5,258,306	0	61,040,210
Buildings	390,479,704	38,716,334	0	429,196,038
Land improvements	13,390,657	1,345,670	0	14,736,327
Machinery and equipment	108,164,337	11,994,903	7,846,541	112,312,699
Library books and publications	49,909,889	1,423,753	0	51,333,642
Vehicles	5,740,541	747,559	315,274	6,172,826
Construction in progress	39,200,309	14,714,977	39,721,879	14,193,407
Works of art & historical treasures	2,330,517	160,548	0	2,491,065
Total capital assets	$ 667,294,570	$ 74,362,050	$ 47,883,694	$ 693,772,926
Less Accumulated Depreciation				
Infrastructure	16,700,725	2,237,188	0	18,937,913
Buildings	178,288,043	11,702,761	0	189,990,804
Land improvements	4,504,999	416,099	0	4,921,098
Machinery and equipment	69,903,657	7,015,031	7,450,737	69,467,951
Library books and publications	19,152,644	1,911,144	0	21,063,788
Vehicles	3,727,848	542,550	307,812	3,962,586
Total accumulated depreciation	$ 292,277,916	$ 23,824,773	$ 7,758,549	$ 308,344,140
Capital assets, net	$ 375,016,654	$ 50,537,277	$ 40,125,145	$ 385,428,786

(5) Long-term Liabilities

The long-term liabilities as of June 30, 2003, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Leases, and Notes, Payable					
Bonds payable	$ 46,149,884	$ 0	$ 4,095,000	$ 42,054,884	$ 4,270,000
Capital leases payable	4,752,146	649,448	1,681,117	3,720,477	1,242,871
Notes payable	2,266,743	0	47,206	2,219,537	49,838
Total bonds, leases, and notes payable	$ 53,168,773	$ 649,448	$ 5,823,323	$ 47,994,898	$ 5,562,709
Other Liabilities					
Compensated absences	10,139,797	5,891,946	5,277,512	10,754,231	745,736
Federal Perkins loans	6,207,008	352,739	283,687	6,276,060	0
Worker's Compensation	10,416,788	0	10,416,788	0	0
Total other liabilities	$ 26,763,593	$ 6,244,685	$ 15,977,987	$ 17,030,291	$ 745,736
Total	$ 79,932,366	$ 6,894,133	$ 21,801,310	$ 65,025,189	$ 6,308,445

Additional information regarding the bonds, notes and capital leases is included in Note 6. Also, additional information concerning the Worker's Compensation liability is included in Note 15.

(6) Indebtedness

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. The maturity dates, interest rates, and outstanding principal balances as of June 30, 2003, are as follows:

Indebtedness	Maturity Dates	Interest Rates	Outstanding Principal
Bonds Payable			
Series 1998 general receipts	2004 – 2018	3.75% - 4.8%	$ 27,395,000
Series 1993 general receipts	2004 – 2013	5.20% - 5.8%	14,659,884
Note Payable			
U.S. Department of Education	2004 – 2026	5.5%	2,219,537
Total			$ 44,274,421

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

Year Ended June 30	Principal	Interest	Total
2004	$ 4,319,839	$ 1,860,864	$ 6,180,703
2005	4,507,617	1,670,985	6,178,602
2006	3,855,551	1,485,393	5,340,944
2007	2,560,362	2,240,395	4,800,757
2008	1,940,576	2,232,896	4,173,472
2009 – 2013	13,494,903	7,245,767	20,740,670
2014 – 2018	10,619,265	1,901,360	12,520,625
2019 – 2023	2,508,628	272,676	2,781,304
2024 – 2026	467,680	46,031	513,711
Total	$ 44,274,421	$ 18,956,367	$ 63,230,788

The university has approximately $3,720,000 in capitalized lease obligations that have varying maturity dates through 2012 and carry implicit interest rates ranging from 4.60 percent to 11.50 percent. The scheduled maturities of these leases as of June 30, 2003, are:

Year Ended June 30	**Minimum Lease Payments**
2004	$ 1,364,486
2005	1,200,453
2006	686,485
2007	103,247
2008	99,400
2009 – 2012	464,631
Total minimum lease payments	3,918,702
Less amount representing interest	(198,225)
Net minimum lease payments	$ 3,720,477

(7) Retirement Plans

Substantially all non-student employees participate in contributory retirement plans administered by the State Teachers Retirement System of Ohio (STRS) and the 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 2002 were 9.3 percent for employees and 14 percent for employers. For the fiscal year ended June 30, 2002, the Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. Effective July 1, 2002, 1 percent of covered payroll will be allocated to this fund (Note 8).

Employees covered by the PERS system are required by state statute to contribute 8.5 percent of their salary to the plan. During calendar year 2002, the university was required to contribute 13.31 percent of covered payroll; 8.31 percent was used to fund pension obligations and 5 percent funded the retiree health care program (Note 8). Law enforcement employees that are a part of the PERS law enforcement division contribute 10.1 percent of their salary to the plan. For these employees, the university was required to contribute 16.7 percent of covered payroll; 11.7 percent was used to fund pension obligations and 5 percent funded the retiree health care program (Note 8).

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

The payroll for employees covered by STRS and PERS for the year ended June 30, 2003, was $66,294,000 and $72,107,000 respectively. The payroll for employees electing the alternative retirement program was $24,396,000.

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.

	Employer Contribution		
	STRS	**PERS**	**Alternative Programs**
2003	$ 9,744,458	$ 9,637,076	$ 2,876,587
2002	9,652,601	9,116,823	2,544,209
2001	8,971,857	6,906,966	3,298,704

(8) Other Postemployment Benefits

In addition to the pension benefits described in Note 7, 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 partial reimbursement of monthly Medicare premiums. A portion of the employer contribution (4.5 percent for STRS and 5 percent for PERS) is allocated to fund the health care benefits.

The STRS health care plan is financed on a pay-as-you-go basis. The net health care costs paid by the plan were $355 million for the year ended June 30, 2002, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled $3.01 billion as of June 30, 2002. At that date there were 105,300 eligible benefit recipients in the STRS plan.

PERS health care benefits are advanced-funded on an actuarially determined basis. The amount of employer contributions actually made to fund post-employment benefits was $3.6 billion. The actuarial value of the Retirement System's net assets available for other post-employment benefits was $11.6 billion as of December 31, 2001. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively. The number of active contributing participants was 402,041.

(9) Related Organization

The Miami University Foundation (the foundation) is a separate not-for-profit entity organized for the purpose of promoting educational and research activities of the university. The foundation's board of trustees consists of 29 members. Eight of the members or twenty-eight percent are appointed by the university, while the foundation's board of trustees appoints 21 members or 72 percent.

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 gifts in the accompanying financial statements. The foundation values its investments at fair value.

Summary financial information for the foundation as of June 30, 2003, the date of its most recent audited financial report, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	$ 802,237	$ 27,969,710	$ 95,771,828	$ 124,543,775
Change in net assets for the year	25,486	(965,203)	5,866,334	4,926,617
Distributions to Miami University	5,683,671	0	0	5,683,671

Effective January 1, 2002, the foundation changed its fiscal year-end from December 31 to June 30. The normal 12-month fiscal year ended on December 31, 2001 and was followed by a 6-month fiscal year, which ended on June 30, 2002. The annual spending distribution from the foundation to the university was made by distributing one-half of the normal amount as of December 31 and a full distribution as of June 30.

Summary financial information for the foundation as of June 30, 2002, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	$ 776,751	$ 28,934,913	$ 89,905,494	$ 119,617,158
Change in net assets for the year	(52,172)	(8,811,839)	(1,800,072)	(10,664,083)
Distributions to Miami University	5,176,344	0	0	5,176,344

(10) Commitments

At June 30, 2003, the university is committed to future contractual obligations for capital expenditures of approximately $13 million. These commitments are being funded from the following sources:

	Contractual Obligations
Approved state appropriations not expended	$ 4,051,061
University funds	8,592,835
Total	$ 12,643,896

(11) Risk Management

The university's employee health insurance program is a self-insured plan administered by Anthem Blue Cross/Blue Shield ("Anthem"). The university's risk exposure is limited to 110% of estimated claims in any given year, which reduces its exposure to material financial loss. To further reduce potential loss exposure, the university has also established a reserve for health insurance stabilization of $1.5 million.

Health insurance claims are accrued based upon estimates of the claims liabilities made by Anthem. These estimates are based on past experience, current claims outstanding, and medical inflation trends. As a result, the actual claims experience may differ from the estimate. An estimate of claims incurred but not reported in the amount of $3,538,600 and $3,198,600 is included in the accrued salaries and wages as of June 30, 2003 and 2002, respectively. The change in the total liability for actual and estimated claims is summarized below:

	2003	**2002**
Liability at beginning of year	$ 3,923,902	$ 3,574,133
Claims incurred	17,694,730	16,163,057
Claims paid	(18,035,290)	(16,213,288)
Increase in estimated claims incurred but not reported	340,000	400,000
Liability at end of year	$ 3,923,342	$ 3,923,902

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 eight years and has had no material losses. The casualty program has been in place for four years and has had no material losses. The university also carries commercial insurance for liability and other risks.

(12) Contingencies

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

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

(13) Anthem Demutualizaton

During fiscal year 2002, Anthem Insurance converted from a mutual insurance company to a stock insurance company, a reorganization called demutualization. As a result of this conversion, the university received over 200,000 shares of Anthem stock. All shares of this stock were sold and the $12,223,675 in proceeds are reported under Other Non-operating revenue in the Statement of Revenues, Expenses and Changes in Net Assets.

(14) Subsequent Events

Subsequent to June 30, 2003, the university will issue approximately $64 million in tax-exempt fixed rate revenue bonds with a 20-year maturity. The bonds are collateralized by general receipts and the proceeds will be used to finance the construction of the new student housing, an upgrade to the utility infrastructure, improvements to the Yager Athletic Sports Complex and other capital projects.

(15) Extraordinary Item - Worker's Compensation

In fiscal year 2002, the State of Ohio required state universities to record a portion of the state's workers compensation liability in its financial statements. In fiscal year 2003, the State of Ohio reversed this decision and as such the worker's compensation liability and all related expenses have been completely reversed in the accompanying 2003 financial statements.

Under the State of Ohio's Workers' Compensation program, the university is part of a pool of state agencies and state universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. In fiscal year 2002, as part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State of Ohio required each state agency and state university to record a portion of the estimated actuarial liability for worker's compensation in its financial statements. Accordingly, the university's Statement of Net Assets reflected an unfunded workers' compensation liability of $10,416,788 at June 30, 2002. The university's 2002 Statement of Revenues, Expenses, and Changes in Net Assets included $3,302,546 in Operating Expenses and a $7,114,242 decrease in the restated Net Asset Beginning Balance.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine this accounting treatment. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the university's Statement of Net Assets reflects a reallocation of the $10,416,788 unfunded workers' compensation liabilities to the State of Ohio, which reduces this liability to $0 at June 30, 2003. This entire reduction of expense was reported on the university's 2003 Statement of Revenues, Expenses, and Changes in Net Assets as an Extraordinary Item.

The recording and the reversal of the worker's compensation liability had no impact on cash and the overall effect on net assets is zero over the two fiscal years reported in these financial statements.

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
STUDENT FINANCIAL ASSISTANCE			
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grant	84.007	P007A023315	$ 903,062
Federal Pell Grant 01/02	84.063	P063P011321	19,379
Federal Pell Grant 02/03	84.063	P063P020342	7,297,873
Total Federal Pell Grants			8,220,314
Federal Work Study 00/01	84.033	P033A003315	12,205
Federal Work Study 01/02	84.033	P033A013315	30,037
Federal Work Study 02/03	84.033	P033A023315	562,369
Total Federal Work Study			604,611
Total Student Financial Assistance			8,824,925

(Continued)

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
U.S. Department of Agriculture:			
Characterization of Proteins Involved in Chromosome Cohesion in Arabidopsis	10.206	00-35301-9341	$ 30,169
Pass-Through Programs From—			
Morehead State University: Monitoring Forest Damage in the Daniel Boone National Forest	10.652	--	15,526
Total U.S. Department of Agriculture			45,695
U.S. Department of Defense:			
USAF Developing Signal Processing Algorithms for Weak GPS Signal Acquisition	12.8	F49620-03-1-0225	1,428
Pass-Through Programs From:			
Fleet and Industrial Supply Center: Constructing Meaning Around Separation, Captivity and Reunification and Effects on Family Life	12.XXX	N00244-01-C-0027	11,941
Technirep: Simulation-Based Design System for Multi-Stage Manufacturing Processes	12.XXX	--	4
Wright State University: Applying Evolutionary Computation to the Design of Pattern Recognition Systems	12.XXX	F33615-99-C-1441;PO BG 5078 0	39,431
Total U.S. Department of Defense—Pass-Through Programs			51,376
Total U.S. Department of Defense			52,804
National Security Agency:			
Summer Undergraduate Mathematical Science Research Institute	12.901	MDA904-01-1-0054	1,718
Summer Undergraduate Mathematical Sciences Research Institute	12.901	MDA504-03-1-0079	35,519
The Summer Undergraduate Mathematical Sciences Research Institute	12.901	MDA904-02-1-0008	74,869
Total National Security Agency			112,106
U.S. Department of Justice—			
Drug Free Communities/The Coalition for a Healthy Community-Oxford Area	16.729	--	119,173
U.S. Department of Labor—			
Employer Stock in Pension Plans: Determinants and Consequences	17.15	B9323947	11,144

(Continued)

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
National Science Foundation:			
Acquisition of a 400 MHz Solid-State NMR Spectrometer	47.049	CHE-0116333	$ 135,910
Banach Space Structures of L p-spaces and Non-commutative Hardy Spaces	47.049	DMS-0096696	26,040
NUE Development of Vertically Integrated Undergraduate Nanoscience Experiments	47.049	CHE-0303830	29,951
Research Experience for Undergraduates in Chemistry at Miami University	47.049	CHE9987557	5,258
The Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS0096577	10,177
Acquisition of a CCD-Detector Single Crystal Diffractometer	47.05	EAR 0003201	11,430
Acquisition of a Thermal Ionization Mass Spectrometer for Geochemical and Geochronological Applications	47.05	EAR-0116033	298,178
Collaborative Research: Osmium Isotopes, PGE and Trace Element Systematics in Kamchatka Sub-Arc Mantle: Implications for Slab-Mantle	47.05	EAR-9902956	13,369
Collaborative Research: The Palygorskite-Sepiolite to Smectite Transformation and the Influence on Reactive Surface Sites	47.05	EAR-0001251	22,454
Magma Fractionation Processes & Timescales: Fogo, Furnas & Fuji Volcanoes	47.05	EAR-0207529	6,160
Probing the Structure and Energetic of Reactive Sites at the Mineral-Water Interface: Implications for Element Partitioning and Geochronology. REU	47.05	EAR-9814691	7,339
The Santa Rosa-Calico Volcanic Field: A Case Study of Magmatic Processes	47.05	EAR-0106144	28,362
Analysis of Chromosome Condensation and Cohesion in Arabidopsis	47.074	MCB-9982367	84,550
Dissertation Research: Disentangling the Effects of Female Choice, Contest C	47.074	IBN-0206473	7,889
Ecological Studies	47.074	DEB-0196336	11,033
Ecophysiological Correlates of Vertebrate Cold Hardiness	47.074	IBN-9817087	39,799
Hyphal Biomechanics in Pathogenic Oomycetes	47.074	IBN-9985546	51,092
Impacts of a Strong Interactor Along a Productivity Gradient: Linking Watersheds w/Reservoir Food Webs	47.074	DEB-9726877	34
Insect Cold-Hardiness and Diapause: Regulatory Relationships	47.074	IBN-0090204	46,153
LBTREB: Response of a Reservoir Ecosystem to Declining Nutrient and Detritus Subsidies	47.074	DEB-0235755	27,693
Maternal Investment in Communally Nesting Females	47.074	IBN-0309068	60
Molecular Characterization of Genes/Candidates for Determinants of Neuronal Identity	47.074	IBN-0096108	11,408
Omnivorous Fish and the Stability of Aquatic Food Webs	47.074	DEB-9982124	29,403
Research Experience for UG in Human-dominated Landscapes	47.074	DBI-0097393	44,486
Shifts in Wolf Spider Reproductive Behavior Under Predation Risk	47.074	IBN-0216947	23,856
Study of Glyoxalase II in Arabidopsis Thaliana	47.074	MCB-9817083	46,506
Tacit Coordination of Collective Action in a Multiple-task Environment	47.075	BCS-0001910	61,204
Collaborative Research: Undergraduate Instruction in Combinatorial Chemistry	47.076	DUE-0127205	49,752
Leadership Alliance in the Biological Sciences: Joining Molecular Biology and Ecology with Research	47.076	ESI-9819374	62,497
Investigating the Economic and Environmental Resilience of Wilui Sakha Villages	47.078	OPP-0240845	28,276
Microbial Mediation of Trace Metal Cycling in Four Stratified Antarctic Lakes	47.078	OPP-9814837	53,991
Total National Science Foundation—Direct Programs			1,274,310
Pass-Through Programs From:			
Texas A&M: Structural Studies of Leg-153 (MARK Area)	47.05	USSSP 153-20816 & 20850	981
Stroud Water Research Center: Dissolved Organic Matter Biogeochemistry: Linking Ecosystem Processes	47.074	DEB-9904047	48,321
Total National Science Foundation—Pass-Through Programs			49,302
Total National Science Foundation			1,323,612
U.S. Department of Veterans Affairs—Intergovernmental Personnel Agreement	64.016	--	11,453
U.S. Environmental Protection Agency:			
Economics in Ecological Risk Assessment	66.5	CR827003-01-0	55,102
Multi-level Indicators of Ecosystem Integrity in Alpine Lakes of the Sierra Nevada	66.5	R 827643-01-0	120,543
Total U.S. Environmental Protection Agency—Direct Programs			175,645

(Continued)

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
U.S. Environmental Protection Agency:			
Pass-Through Programs From:			
Battelle: Operation of a USEPA National Dioxin Air Monitoring Station at Oxford, Ohio	66.XXX	P.O. 171429	$ 3,497
EPA-MACTEC: Operation of the U.S. EPA National Dry Deposition Network Station at Miami University	66.XXX	S68D98112-SITEOP-122	3,267
Shaw E&I: US EPA Test and Evaluation Facility Base Operations	66.XXX	P.O. 175652	58,706
Total U.S. Environmental Protection Agency—Pass-Through Programs			65,470
Total U.S. Environmental Protection Agency			241,115
U.S. Department of Energy:			
Magnetic Nanoscale Physics	81.049	DE-FG02-86ER45281	86,837
Iron Uptake in Actinobacillus Actinomycetemcomitans	93.121	1 RO1 DE13657-01	77,511
The Neural Substrates of Adaptive Jaw Movement	93.121	2 R15 DE12248-02A1	52,365
Border to Border Abstinence Only Education	93.235	--	1,107
Total U.S. Department of Energy			217,820
U.S. Department of Health and Human Services:			
A Multicomponent Model of Self-Concept Formation	93.242	7 R01 MH660645-03	71,876
Pruning of Motor Neuronal Arbors	93.242	1 R15 MH67622-01	4,989
Sensorimotor Regulation of Reproductive Behavior	93.242	EIN:1316402089A1	62,810
HEALTHRICH: Health, Risks Information and Choices	93.333	1R25RR16301-01A1	43,420
Ab Initio Studies of Biomolecules	93.39	2R15GM526780-02	33,353
Ab Initio Studies of Complexes of Nucleic Acid Bases	93.39	R15 GM59586-01A1	19,976
Analyses of a Dynein Heavy Chain Mutation in Tetrahymena	93.39	1 R15 GM59855-01	40,331
Analysis of PHD-Domain Proteins Required For Meiosis	93.39	R5GM55956B	48,177
Cortical Mechanisms of Spatial Vision	93.39	1 R15 EY 13953-01	56,724
Integrin-like Proteins in Signal Transduction	93.39	1R15GM57806-01	735
Magnetic Resonance Studies of Membrane Proteins	93.39	1 R15 GM60259-01	68,382
Novel Activation Mechanism of Lys2p of Candida Albicans	93.39	1 R15 GM065153-01A1	9,610
Organization of a Cytochrome P450 Gene Cluster in Mice	93.39	1R15GM5595101A1	15,148
Ribosome-binding and Translation of Leaderless mRNa	93.39	1 R15GM65120-01	66,733
Structure-Function Studies of Lys2p of Candida Albicans	93.39	1R15GM55912-01A2	7,482
Synthesis and Conformational Study of Helix/Sheet Mimics	93.39	1R15GM60263-01A1	66,237
Nuclear Organization During Adenovirus Infection	93.393	1R15 CA82111-01	41,424
DHHS REACH Program Data Analysis	93.558	--	232
Amphibian Urinary Bladder: Novel Glucose Transport Model	93.847	1 R115 DK54034-01A2	23,650
Endocrine Role of OFQ/N: Studies with Knock-out Mice	93.847	1 R15 DK61956-01	24,312
Mechanisms of Orphanin's Effects on Prolactin Release	93.847	1 R15 DK56139-01A1	11,572
Neurotrophin Regulation of Periheral Neurons	93.853	R5NS43173A	41,632
Chlamydial Evasion of IFN-Mediated Immunity	93.856	1 R01 AI45836-01A2	109,422
Genetics of H. Aegyptius Brazilian Purpuric Fever Clone	93.856	1 R15 AI44776-01A1	26,572
Metallo Beta Lactamase from X Maltophilia	93.856	1R29AI40052-04	71,147
Characterization of Metallo-B-Lactamases	93.859	GM67928-06	99,602
Lay Explanations of Diabetes and Self Care: A Multi-Ethnic, Multi-Site Study	93.866	8-R3AG19583A	8,082
NIA Access to Physical Activity and Its Relation to Health	93.866	1 R15 AG020526-01A1	13,456
Molecular Pathway in Retina Regeneration	93.867	R3EY14197A	97,407
Tannins as Biological Antioxidants	93.933	1R15CA77806-01	10,972
Evaluation of Injury Prevention Efforts in Nursing Homes	93.991	P.O. 0000236641	9,986
Total Department of Health and Human Services—Direct Programs			1,205,451

(Continued)

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
U.S. Department of Health and Human Services:			
Pass-Through Programs From:			
AAA: The SAFE House Project: Safety Assistance for Families of Elders	93.044	SH-03-001	$ 14,758
AAA: The SAFE House Project: Safety Assistance for Families of Elders	93.044	--	44,779
COA: Educating, Training, and Supporting Informal Caregivers in Their Homes	93.048	90-CG-2629	7,394
An Outcome-Based System for Assessing the Quality of Caregiver Support Services	93.052	P.O. W20562 12192001	136,599
HRSA-ODOH Clark County Combined Health District	93.235	--	5,356
Estimating the Cost Shift from Informal to Formal Care in Aging MRDD Families	93.63	01-9A	19,733
University of Cincinnati: Muscle Lactate Production in Sepsis	93.859	R01 GM54775-04A1	11,703
Southwest Foundation: Genetics of Susceptibility to Helminthic Infection	93.865	R01 AI37091-04A2	101,315
Wright State University: Genetic and Environmental Influences on Childhood Growth	93.865	1 R01HD40377-01A1	51,421
Total Department of Health and Human Services—Pass-Through Programs			393,058
Total U.S. Department of Health and Human Services			1,598,509
U.S. Department of Commerce:			
Pass-Through Programs From:			
Bowling Green State University: Economic and Community Development Policy in Local Governments	11.303	06-66-04616	10,478
Bowling Green State University: Technical Assistance to a University Center	11.303	06-66-04741	10,657
Ohio State University: Heritability of Heat Tolerance in the Zebra Mussel, Dreissena Polymorpha	11.417	740188	7,312
Ohio State University: Effects of Round Goby on Yellow Perch-amphipod Interactions Within Zebra Mussels Colonies and Macrophyte Beds	11.417	NA86RG0053 - OSU 738940	40,755
Ohio State University: Role of Detritivores in PCB Tropphodynamics in Western Basin of Lake Erie	11.417	742658	27,741
NIST Summer Undergraduate Research Fellowship Program	11.609	70NANB2H0070	1,766
NIST Summer Undergraduate Research Fellowship Program	11.609	70NANB3H1055	10,208
Total U.S. Department of Commerce			108,917
U.S. Department of the Interior:			
Pass-Through Programs From:			
USFISWL: Systematics of Amphipods of the Gammarus Pecos Species Complex in New Mexico and Texas	15.615	1448-20181-00-J618	3,902
OU: Implementing Web-based Solutions for Satellite Data Presentation, Analysis and Understanding	15.808	01CRAG0025	3,631
USGS: Operation of the NADP/NTN Precipitation Chemistry Station at Oxford, Ohio	15.808	02HQPR00076	3,882
FWS: Molecular Genetics of a Wide-ranging Imperiled Mussel: the Spectaclecase Cumberlandia Monodontra	15.FFB	1448-40181-02-G-059	6,097
FWS: Private Lands Program Coop Agreement	15.FFB	301812J055	531
Total U.S. Department of the Interior			18,043
U.S. Department of Transportation—			
ODPS Traffic Safety Evaluation and Action Planning	20.601	--	91,820
National Aeronautics and Space Administration:			
Pass-Through Programs From:			
OAI: Ohioview: Developing a Distributed Data Caching Network Infrastructure for Remote Sensing Research	43.001	R-300-100175-40005	51,507
Ohio Aerospace Institute: Expanding the Ohioview Geospatial Digital Library	43.001	NAG3-2629	15,199
Ames Research Center: Analysis of a Novel Sensory Mechanism in Root Phototropism	43.002	NCC2-1200	136,661
JPL: Defect Detection and Prevention for NASA Software	43.XXX	1245473	96,854
Total National Aeronautics and Space Administration			300,221

(Continued)

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)			
U.S. Department of Education:			
Pass-Through Programs From:			
Northern Ill University: Improving the Comprehension and Construction of Arguments	84.305	R305H020039	$ 40,330
Fitton Center: Evaluation of SPECTRA+ Arts in Education Program	84.351D	S351D010120	12,925
Total U.S. Department of Education			53,255
Corporation for National and Community Service—			
AmeriCorps Staying Home Program II	94.006	--	5,000
Total Research and Development Cluster			4,310,687
INSTRUCTIONAL			
U.S. Department of Agriculture:			
Invasion of an Exotic Shrub, Lonicera Maackii: Role of Habitat Suitability, Landscape Structure and Seed Dispersers	10.206	3532012068	42,610
Pass-Through Programs From—			
University of Toledo: Tripsacum Germplasm Development	10.2	00-34391-9827	15,585
Total U.S. Department of Agriculture			58,195
U.S. Department of State:			
Analysis, Budgets and Development: Exchanging to Enhance Armenia's Transition to a Market Economy	19.405	IA-ASJL-G9190230	39,241
Quality Improvement Methods for Business: Instructional Enhancement for Kiev State University of Trade Economics	19.405	ASJL-0333	55,562
Total U.S. Department of State			94,803
National Endowment for Humanities—			
Diversity, Indentity, and Public Culture: Rethinking the American Studies Curriculum	45.162	ED-22355-02	21,345
U.S. Department of Health and Human Services:			
Preconcentrators Based on Self-assemble Reagents	93.39	1 R15 GM64390-01	42,007
Social Influences on Dispersal in Males and Females	93.39	MH57115-01A2	58,433
Total U.S. Department of Health and Human Services—Direct Programs			100,440
Pass-Through Programs From—			
Case Western: Geriatric Education Center Site	93.969	CFDA 93.9699 AH 70041-06	10,541
Total U.S. Department of Health and Human Services			110,981
National Science Foundation:			
CAREER: Investigating Membrane Proteins with Magnetic Resonance Spectroscopy	47.049	CHE-0133433	28,876
Summer Undergraduate Mathematical Sciences Research Institute	47.049	DMS-0138477	40,489
Chinese Continental Scientific Drilling Project	47.05	EAR-0201609	15,182
Dissertation Research: Evolution of Ant Mutualisms in Piper: Morphological and Molecular Evidence	47.074	IBN-0206473	263
Increasing the Impact	47.076	DUE 9950011	72,441
Using Chemistry to Enhance the Technical Workforce in the Innovation Age	47.076	DUE-0101400	78,485
Engineering Technology Pipeline Partnership	47.076	DUE-0101607	403
Total National Science Foundation			236,139

(Continued)

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
INSTRUCTIONAL (Continued)			
U.S. Department of Education:			
Ohio Writing Project	84.298	92-OH01	$ 28,190
Project Mentor - Preparing Tomorrows Teachers to Use Technology	84.342A	--	65,457
Total U.S. Department of Education—Direct Programs			93,647
Pass-Through Programs From:			
ODE: The Ohio Systemic Initiative 02/03 Kahle	84.281	062984-MS-S4-2002	177,595
Ohio Board of Regents: Using Native American Stories to Attain Ohio Elementary School Compentency-based Science	84.281	01-33	102,616
Ohio Board of Regents: ACTIVE Chemistry: Adding Context + Technology + Inquiry ->Very Exciting Chemistry	84.281	01-37	85,543
Ohio Board of Regents: An Inquiry Calculus Course for Pre-Service Teachers	84.281	--	1,239
Ohio Board of Regents: Blending, Reading, Investigating, and Discovery into the Goals of Elementary Science IV	84.281	01-39	94,614
Ohio Board of Regents: Math by Inquiry: Developing Fundamental Understanding of Elementary Mathematics	84.281	01-35	12,801
Ohio Board of Regents: Teaching Science with TOYS-Targeting Ohio V	84.281	01-40	90,420
Ohio Board of Regents: Technology Conversion: Web Conversion of Chemistry with Toys Courses	84.281	--	19,988
Ohio Board of Regents: Dragonfly for Diversity Leadership; Building Inquiry Science Teams	84.281	01-34	37,613
Ohio Board of Regents: Sustaining Model for Inquiry Driven Systemic Reform from Lebanon Area Schools	84.281	01-32	43,235
Ohio Department of Education: OSI-Discovery	84.281	--	70,600
UC: National Program to Train Speech-Language Pathologists in Classroom Performance	84.325	N325N010044	57,455
Ohio Board of Regents: Reform That Works Phase III	84.336	02-27	5,446
Ohio Board of Regents: Using Native American Stories to Attain Ohio Elementary School Competency	84.336	02-28	11,895
Ohio Board of Regents: Advancing Ohio's Physical Science Proficiency	84.367	02-30	13,257
Total U.S. Department of Education—Pass-Through Programs			824,317
Total U.S. Department of Education			917,964
National Aeronautics and Space Administration:			
Educational Liaison Staff	43.001	--	2,300
Educational Liaison Staff Position	43.001	--	1,380
The Miami Mission to Mars Project	43.001	HST-ED-90232.01-A	240
The Miami Mission to Mars Project	43.001	--	41
Total National Aeronautics and Space Administration			3,961
U.S. Department of Energy—			
Institute of Paper Science and Technology: Energy Challenge '99	81.087	--	1,424
Total Instructional			1,444,812

(Continued)

MIAMI UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003

Federal Grant/Pass-Through Grant/Program Title	Federal CFDA Numbers	Pass Through/ Program Number	Federal Expenditures
PUBLIC SERVICE			
National Endowment for Humanities—			
OHC: Ohio Bicentennial Minutes	45.129	OHC-03-013	$ 5,467
U.S. Department of Education—			
ED-FIPSE: Developing Faculty Learning Communities to Transform Campus Culture for Learning	84.116	P116B010714	102,009
Department of Health and Human Services:			
Pass-Through Programs From:			
ODOH: Tobacco Prevention	93.283	09-4-001-2-CJ-02	56,497
BCADASB: Miami University High Risk Drinking Prevention	93.959	09-08040-00-HEDUC-P-03-9726	23,989
BCADASB: MU High Risk Drinking Prevention Initiative	93.959	09-08040-00-HEDUC-P-02-9726	3,041
Total Department of Health and Human Services			83,527
Total Public Service			191,003
TOTAL FEDERAL EXPENDITURES			$ 14,771,427

See notes to schedule of federal awards.

(Concluded)

1. BASIS OF ACCOUNTING

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

The dollar threshold used to distinguish between Type A and Type B Programs was $443,143.

2. PASS-THROUGH AWARDS

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

3. FEDERAL PERKINS LOAN PROGRAM

Outstanding loans at June 30, 2003, under the Federal Perkins Loan Program were $7,613,756. New Federal Perkins Loans of $1,796,991 were advanced to students in 2003. The University received a federal capital contribution of $25,937 and made a matching contribution of $8,646 to the Federal Perkins Loan fund in 2003. Administrative and collection costs for the Federal Perkins Loan Program were $1,798,594 in 2003.

4. FEDERAL FAMILY EDUCATION LOAN PROGRAM

While no amounts are listed in the schedule of expenditures of federal awards, the University also participates in the Federal Family Education Loan Program, which includes subsidized and unsubsidized Federal Stafford Loans ("Stafford") and Federal PLUS Loans ("PLUS"). The dollar amounts are not listed in the schedule of expenditures of federal awards as the University is not the recipient of the funds. However, such programs are considered a component of student financial assistance at the University. New loans processed for students during the year ended June 30, 2003, were as follows:

Federal Family Education Loan Program:	
Stafford:	
Subsidized	$ 20,972,206
Unsubsidized	16,715,197
PLUS	9,367,744

* * * * * *

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

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

We have audited the financial statements of Miami University (the "University") as of and for the year ended June 30, 2003, and have issued our report thereon dated October 8, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated October 8, 2003.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the U.S. Department of Education, other applicable U.S. Government Agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 8, 2003

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

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

Compliance

We have audited the compliance of Miami University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The University's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 03-01.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of Trustees, the management of the University, the U.S. Department of Education, other applicable U.S. Government Agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 8, 2003

MIAMI UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Part I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified	
Internal control over financial reporting: Material weakness(es) identified?	_____ Yes	_X_ No
Reportable condition(s) identified not considered to be material weaknesses?	_____ Yes	_X_ No
Noncompliance material to financial statements noted?	_____ Yes	_X_ No

Federal Awards

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster Number
Various	Student Financial Assistance

Dollar threshold used to distinguish between Type A and Type B programs	$443,143	
Auditee qualified as low-risk auditee?	_X_ Yes	_____ No

Part II—Financial Statements Findings

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

No matters are reportable.

Part III—Federal Award Findings and Questioned Costs

Finding 03-01: Return of Title IV Funds

Federal Program Information: Student Financial Assistance Cluster ("SFA")

Condition: Within our sample procedures for compliance with return of title IV funds, 4 out of the 25 student files selected were not in compliance. The University failed to request or inaccurately calculated the amount requested of Title IV funds from the student for return to the lending institution, as required.

Cause: The files which were in non-compliance were processed at Miami University's regional campuses. This was the first fiscal year for which return of funds was processed by regional campus SFA counselors.

Criteria: Miami University is required to return the applicable portion of SFA funds resulting from a student's withdrawal to the lending institution within 30 days of receiving notice of withdrawal from courses.

Questioned Costs: Pell Funds: $1,486, Direct Loans: $1,276

Recommendation: Miami University should provide adequate training and supervision over SFA counselors at the regional campuses. Student files processed at the regional campuses should be reviewed by a senior member of the SFA office at the main campus to ensure compliance with appropriate rules and regulations.

Management Corrective Action Plan: Effective July 14, 2003, the responsibility for calculating the return of federal funds for students who withdraw from the University was consolidated in the Oxford Office of Student Financial Assistance. These calculations and ensuing disbursements had been handled in the distributed manner, with each campus' financial aid office responsible for the students on that campus. With this change, responsibility for all Return of Title IV calculations lies with the Assistant Director of Student Financial Assistance, who is a direct report to the Director on the Oxford campus. No errors were found on the 21 refund calculations for which she was responsible. The new arrangement will have the accountability necessary for this task, given that the regional campus financial aid offices do not report to the Director on the Oxford campus.

02-1

Federal Program: National Science Foundation ("NSF"), CFDA No. 47.076 and Research and Development Cluster ("R&D").

Condition: Salary amounts billed to the applicable Federal agency are based on budget amounts. The University performs reconciliations between employee time and effort reports and amounts billed to the applicable Federal agency. However, any of the identified variances resulting from the reconciliations are not resolved.

Management Corrective Action Plan: The University has established a policy to pursue significant variances that are a result of the reconciliation of payroll charges to the time and effort reports. This policy will be fully implemented beginning with the time and effort reports collected for the Fall semester of fiscal year 2003. The Grants and Contracts Office will be responsible for implementing the policy and pursuing all identified variances.

Current Year Status: The University has established a policy to pursue significant variances that are a result of the reconciliation of payroll charges to the time and effort reports. The reconciliations are being performed and the policy has implemented to resolve significant variances.

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Miami University

Independent Accountants' Report on the Application of Agreed-Upon Procedures to the University's Accounting Records and System of Internal Accounting Control as they Relate to the University's Intercollegiate Athletics Programs for the Year Ended June 30, 2003

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INDEPENDENT AUDITORS' REPORT

Dr. James C. Garland, President
Miami University
Oxford, Ohio

We have audited the financial statements of Miami University ("University") as of and for the year ended June 30, 2003, and have issued our report thereon dated October 8, 2003. We have also applied certain procedures requested by you, as discussed below, to the University's accounting records and system of internal accounting control as they relate to the University's Intercollegiate Athletics Programs for the year ended June 30, 2003, solely to assist the University in complying with NCAA Bylaw 6.2.3.1 for the year ended June 30, 2003. The University's management is responsible for compliance with those requirements. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the 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. Our procedures and findings are as follows:

Revenues and Expenditures

a. We obtained the Intercollegiate Athletics Statement of Revenues and Expenditures for the year ended June 30, 2003, as prepared by management and presented as the Exhibit to this report. We agreed the amounts included therein to the general ledger and made analytical comparisons to the 2002 amounts. The Intercollegiate Athletics Department provided explanations for the fluctuations.

b. We read documentation related to, and discussed with University personnel, the University's methodology for allocating student fees to intercollegiate athletics, and we ascertained that the amounts recorded for this source of athletics program funding appeared to be recorded using such methodology.

c. We obtained signed contracts and other supporting documentation for revenues and expenditures resulting from guarantee agreements, and agreed recorded amounts to appropriate supporting detail on a test basis, and no exceptions were noted.

d. We read documentation related to, and discussed with University personnel, the University's methodology for recognizing gift revenue in the attached Intercollegiate Athletics Department Statement of Revenues and Expenditures. Revenue is recognized as expenses are incurred and reimbursement is requested, rather than when gifts are received.

e. We ascertained through the listing of all contributions made during the year ended June 30, 2003, that no individual contribution received by the Athletics Office for intercollegiate athletics constituted more than 10% of all contributions received for intercollegiate athletics.

Because the above procedures "a" through "e" do not constitute an audit made in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on any of the accounts or items referred to above. Had we performed additional procedures or had we performed an audit of the financial statements of the intercollegiate athletics department of Miami University in accordance with auditing standards generally accepted in the United States of America, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above, and does not extend to any financial statements of Miami University or its intercollegiate athletics department taken as a whole.

Internal Accounting Control Related to Intercollegiate Athletics

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

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

f. We read documentation related to and discussed with University personnel the general control environment as it relates to the athletics department, considering the following: (1) departmental organization, (2) control consciousness of department employees, (3) competency of personnel, (4) safeguarding and control of department records and assets, and (5) controls over interactions with data processing.

g. We traced fifteen random selections of ticket sales cash receipts to the deposit slip, reconciliation of the cash drawer, and the statistics sheet that details attendance for each game, and noted no exceptions.

h. We obtained support for fifteen travel related expenditures and ten non-travel related expenditures made by the intercollegiate athletics department, and noted no exceptions.

Agreed-upon procedures "f" through "h" applied to certain aspects of the University's system of internal accounting control were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the scope of our work was limited to applying agreed-upon procedures "f" through "h" to certain aspects of the system of internal accounting control, we are unable to express, and we do not express, an opinion on whether the system of internal accounting control of Miami University in effect as of and for the year ended June 30, 2003, taken as a whole, was sufficient to meet the objectives stated above.

* * * * * *

This report is intended solely for the information and use of the finance committee, management and National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 10, 2003

MIAMI UNIVERSITY

INTERCOLLEGIATE ATHLETICS DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2003

	Football Total	Men's Basketball Total	Women's Basketball Total	Men's Other Sports Total	Women's Other Sports Total	Non-Program Specific Total	Total 2003	Total 2002
Revenues:								
Student activity fees	$ 1,386,979	$ 470,017	$ 640,905	$ 1,469,677	$ 2,794,375	$ 1,902,727	$ 8,664,680	$ 7,614,780
Ticket sales	593,640	212,498	6,631	102,248	-	-	915,017	1,197,611
Guarantees	790,000	80,000	12,000	23,520	-	-	905,520	793,636
Program advertising	-	-	-	-	-	-	-	5,000
Programs and merchandise	-	-	-	-	-	1,698	1,698	1,857
Advertising, promotions and special events	-	-	-	-	2,475	154,213	156,688	23,881
Vending proceeds	-	-	-	-	-	36,292	36,292	36,450
Seminars and workshops	1,391	2,166	491	6,246	10,158	5,562	26,014	21,163
Federal grant—work study	71	-	102	-	23	4,663	4,859	1,612
Other	8,041	811	1,575	16,829	106,082	161,431	294,769	326,194
Temporary investment income	-	-	-	-	-	100,000	100,000	100,000
Endowment income	-	-	-	9,117	-	65,343	74,460	87,451
Gifts	30,492	8,101	7,533	313,998	2,445	354,901	717,470	644,839
Tournaments	-	-	-	-	-	672,128	672,128	553,486
Total revenues	2,810,614	773,593	669,237	1,941,635	2,915,558	3,458,958	12,569,595	11,407,960
Expenditures:								
Financial aid	1,080,268	154,794	180,614	583,077	986,855	175,232	3,160,840	2,988,557
Coaches salaries	570,159	225,617	163,862	362,982	520,310	-	1,842,930	1,821,631
Other salaries and wages	101,200	24,402	40,112	65,699	169,817	1,312,782	1,714,012	1,571,850
Staff benefits	219,093	77,556	62,217	128,577	219,276	361,637	1,068,356	978,493
Team travel	134,603	80,117	75,108	292,039	452,587	5,119	1,039,573	1,141,646
Travel	20,045	10,847	6,335	12,846	30,105	60,492	140,670	144,249
Recruiting	102,638	44,666	28,761	87,395	110,308	27,889	401,657	381,215
Equipment and supplies	215,763	23,187	22,967	183,951	200,999	234,644	881,511	879,770
Maintenance and general administration	83,833	13,035	18,711	42,634	57,251	95,925	311,389	245,756
Game expenses	47,253	35,514	26,765	45,357	74,722	8,320	237,931	256,791
Telephone	24,175	11,700	8,794	17,492	19,069	67,480	148,710	137,092
Postage	19,455	6,565	9,868	7,022	13,637	23,879	80,426	91,712
Guarantees	-	14,000	3,000	35,000	5,000	200,000	257,000	58,000
Textbooks	39,662	7,265	8,195	26,270	40,504	46	121,942	106,372
Printing and advertising	11,231	1,687	3,355	6,799	16,093	50,558	89,723	145,225
Hospitality	41,804	9,852	2,899	25,613	9,713	48,383	138,264	142,187
Services	68,466	27,374	2,985	50,682	28,570	261,375	439,452	414,320
Other	31,235	2,869	5,357	17,522	14,715	298,076	369,774	186,423
Total expenditures	2,810,883	771,047	669,905	1,990,957	2,969,531	3,231,837	12,444,160	11,691,289
Excess (deficit) of revenues over expenditures	$ (269)	$ 2,546	$ (668)	$ (49,322)	$ (53,973)	$ 227,121	$ 125,435	$ (283,329)

WMUB RADIO

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

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

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Miami University

We have audited the accompanying statements of net assets of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the management of the Station. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-6 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the Station's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 17, 2003, on our consideration of the Station's internal control over financial reporting and its tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

November 17, 2003

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WMUB RADIO

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of WMUB, a noncommercial public radio station owned and operated by Miami University, (the "Station") for the years ended June 30, 2003 and 2002. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared by and are the responsibility of Station management.

Using the Financial Statements

The Station's annual report contains three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities,* as amended by GASB Statement No. 37 and 38. These statements establish standards for external financial reporting and provide a consolidated perspective of the Station's assets, liabilities, net assets, revenues, expenditures and cash flows.

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

Financial Highlights

Overall, WMUB's financial position remained strong at June 30, 2003, with total assets of $589,178. Revenue from the state of Ohio through the Ohio Educational Telecommunications Network Commission grants declined because of budget shortfalls at the state level, but local fundraising was up in overall membership dollars.

Statement of Net Assets

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

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

Assets	**2003**	**2002**
Current assets	$282,271	$212,404
Capital assets, net	306,907	320,444
Total assets	$589,178	$532,848
Net Assets		
Invested in capital assets	$306,907	$320,444
Unrestricted net assets	282,271	212,404
Total net assets	$589,178	$532,848

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents WMUB's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or non-operating. Operating revenue is generated by an annual Community Service Grant from the Corporation for Public Broadcasting ("CPB") and the State of Ohio, administered through an annual grant from the Ohio Educational Telecommunications Network Commission. Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Station. Non-operating revenues are received without an exchange for goods and services. Non-operating revenues include an appropriation, donated facilities, and administrative support from its licensee, Miami University, membership revenue, and contributions from area businesses (program underwriting).

	2003	2002
Operating revenues:		
Corporation for Public Broadcasting grant	$ 154,968	$ 139,682
Ohio Humanities Grant	5,460	
In-kind contributions—Ohio Educational Telecommunications	91,795	131,169
Ohio Educational Telecommunications grant	40,513	47,668
Total operating revenue	292,736	318,519
Operating expenses:		
Program services:		
Programming and production	629,798	647,482
Broadcasting	122,160	103,297
Program information	42,823	52,704
Total program services	794,781	803,483
Support services:		
Administrative	304,876	280,855
Management and general	238,711	221,586
Fund raising	66,252	53,443
Underwriting	19,015	17,665
Depreciation	32,133	32,808
Total support services	660,987	606,357
Total operating expenses	1,455,768	1,409,840
Net operating loss	(1,163,032)	(1,091,321)

	2003	2002
Non-operating revenues:		
Appropriation from Miami University	$ 652,938	$ 589,221
Donated facilities and administrative support	304,876	280,855
Membership revenue	195,446	180,265
Business and underwriting support	57,147	61,072
Net revenue from special fund raising activity	0	12,880
Foundations and other non-profits	7,277	11,085
Other	919	60
Total non-operating revenues	1,218,603	1,135,438
Income before other revenues	55,571	44,117
Other revenues	759	6,053
Increase in net assets	56,330	50,170
Net assets at beginning of year	532,848	482,678
Net assets at end of year	$ 589,178	$ 532,848

Statement of Cash Flows

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

	2003	2002
Net cash used by operating activities	$ (826,023)	$ (777,658)
Net cash provided by noncapital financing activities	913,727	854,583
Net cash used by capital and related financing activities	(17,837)	(5,519)
Net increase in cash equivalents	69,867	71,406
Cash equivalents at beginning of year	212,404	140,998
Cash equivalents at end of year	$ 282,271	$ 212,404

Economic Factors That Will Affect the Future

Station management believes that WMUB is positioned to continue its strong financial condition and level of service to listeners and Miami University. Programming improvements are continuing to result in higher audiences listening levels, especially for core audience, which in turn lead to increases in membership and underwriting revenue. While there has once more been some loss in State of Ohio support due to cutbacks in the appropriation for the Ohio Educational Telecommunications Network Commission grants, local fundraising through membership campaigns has so far made up for those losses.

During the fourth quarter of fiscal year 2003, the Station exceeded $100,000 in pledges for the first time ever. Prospects are good for record levels to continue in the near term. Stability in personnel in the Underwriting area should contribute to further increases there.

Two of the Station's biggest concerns on the revenue side are the continual declines in funding from the State of Ohio grant (OETNC) and from the Corporation for Public Broadcasting appropriation in Congress (which remains at risk even though WMUB's CPB grant increased from fiscal 2002 to fiscal 2003). The financial condition and economic outlook of Ohio makes the level of state support uncertain, especially concerning capital projects. In October 2002 the Federal Communications Commission approved standards for digital terrestrial radio broadcasting. Stations will be required to generate additional support to pay for digital conversion. While the State of Ohio is on record as supporting partial funding of these costs from the state, appropriations for radio have not yet been made.

Overall WMUB's financial position is strong. Over the next fiscal year and beyond, the Station will maintain a close watch over internal and external resources in order to maintain or improve its current economic condition.

Tolliver C. Callison, III
General Manager, WMUB

WMUB RADIO

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

STATEMENT OF NET ASSETS
JUNE 30, 2003 AND 2002

ASSETS	2003	2002
CURRENT ASSETS—Net accounts receivable from Miami University	$ 282,271	$ 212,404
NONCURRENT ASSETS—Capital assets, net	306,907	320,444
TOTAL ASSETS	$ 589,178	$ 532,848
NET ASSETS		
INVESTED IN CAPITAL ASSETS	$ 306,907	$ 320,444
UNRESTRICTED NET ASSETS	282,271	212,404
TOTAL NET ASSETS	$ 589,178	$ 532,848

See accompanying notes to financial statements.

WMUB RADIO

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

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

	2003	2002
OPERATING REVENUES:		
Corporation for Public Broadcasting grant	$ 154,968	$ 139,682
Ohio Humanities Grant	5,460	
In-kind contributions—Ohio Educational Telecommunications	91,795	131,169
Ohio Educational Telecommunications (OET) Grant	40,513	47,668
Total operating revenues	292,736	318,519
OPERATING EXPENSES:		
Program services:		
Programming and production	629,798	647,482
Broadcasting	122,160	103,297
Program information	42,823	52,704
Total program services	794,781	803,483
Supporting services:		
Administrative support	304,876	280,855
Management and general	238,711	221,586
Fund raising	66,252	53,443
Underwriting	19,015	17,665
Depreciation	32,133	32,808
Total supporting services	660,987	606,357
Total operating expenses	1,455,768	1,409,840
NET OPERATING LOSS	(1,163,032)	(1,091,321)
NONOPERATING REVENUES:		
Appropriation from Miami University	652,938	589,221
Donated facilities and administrative support	304,876	280,855
Membership revenue	195,446	180,265
Business and underwriting support	57,147	61,072
Net revenue from special fund raising activity		12,880
Foundations and nonprofits	7,277	11,085
Other	919	60
Total nonoperating revenues	1,218,603	1,135,438
INCOME BEFORE OTHER REVENUES	55,571	44,117
OTHER REVENUES—OET Capital Grant	759	6,053
INCREASE IN NET ASSETS	56,330	50,170
NET ASSETS—Beginning of year	532,848	482,678
NET ASSETS—End of year	$ 589,178	$ 532,848

See accompanying notes to financial statements.

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

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

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Corporation for Public Broadcasting grant	$ 154,968	$ 139,682
Receipts from Ohio Educational Telecommunications grant	40,513	47,668
Receipts from Ohio Humanities grant	5,460	
Payments for programming and production	(538,003)	(516,313)
Payments for broadcasting	(122,160)	(103,297)
Payments for program information	(42,823)	(52,704)
Payments for management and general	(238,711)	(221,586)
Payments for fund raising	(66,252)	(53,443)
Payments for underwriting	(19,015)	(17,665)
Net cash used by operating activities	(826,023)	(777,658)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Appropriation from Miami University	652,938	589,221
Membership revenue	195,446	180,265
Business and underwriting support	57,147	61,072
Foundations and nonprofits	7,277	11,085
Other noncapital receipts	919	12,940
Net cash provided by noncapital financing activities	913,727	854,583
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Grants for capital purposes	759	6,053
Payments to purchase capital assets	(18,596)	(11,572)
Net cash used by capital and related financing activities	(17,837)	(5,519)
NET INCREASE IN CASH EQUIVALENTS	69,867	71,406
CASH EQUIVALENTS:		
Beginning of year	212,404	140,998
End of year	$ 282,271	$ 212,404

Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities Years Ended June 30, 2003 and 2002

	2003	2002
NET OPERATING LOSS, PER STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	$(1,163,032)	$(1,091,321)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation expense	32,133	32,808
Donated facilities and administrative support	304,876	280,855
Net cash used in operating activities	$ (826,023)	$ (777,658)

See accompanying notes to financial statements.

1. 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 University Communications.

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

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

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

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

Net Assets—GASB Statements 34 and 35 were adopted in the fiscal year ended June 30, 2002, resulting in a restatement of net assets for the cumulative effect of a change in accounting principle for accumulated depreciation. GASB Statements 34 and 35 require net assets to be divided into three major categories. The first category, net invested in capital assets, net of related debt, reports the Station's net equity in property, plant and equipment. The second major category is restricted net assets. This category contains net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The Station does not have any restricted net assets. The third category is unrestricted net assets, which are available to be used for any lawful purpose of the Station.

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

Donated Facilities and Administrative Support—Donated facilities from the University consist of office and studio space, use of the broadcast tower and occupancy costs, and are recorded as revenues and expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in accordance with allocation guidelines provided by the Corporation for Public Broadcasting ("CPB").

Donated facilities support is determined by an assessment of the square footage assigned to the Station and the cost per square foot of providing various types of physical plant support. Administrative support from the University consists of allocated services and 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 on 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 these estimates.

2. CAPITAL ASSETS

The capital assets and accumulated depreciation as of June 30, 2003 are summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets:				
Building, antenna and tower	$ 330,386	$ -	$ -	$ 330,386
Studio and broadcast equipment	560,042	18,596	3,814	574,824
	890,428	18,596	3,814	905,210
Less: accumulated depreciation	569,984	32,133	3,814	598,303
Capital assets, net	$ 320,444	$ (13,537)	$ -	$ 306,907

3. INCOME TAXES

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

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

The Board of Trustees
Miami University

We have audited the financial statements of WMUB Radio (the "Station"), a noncommercial public radio station owned and operated by Miami University as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 Station's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 specific 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 Station's internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Deloitte & Touche LLP

November 17, 2003

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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
DECEMBER 23, 2003