



WRIGHT STATE
UNIVERSITY

**Annual Report and Single Audit Reports
For Federal Awards
For the Year Ended June 30, 2003**

Office of the Controller
3640 Colonel Glenn Hwy.
Dayton, OH 45435-0001



**Auditor of State
Betty Montgomery**

Board of Trustees
Wright State University
3640 Colonel Glenn Highway
Dayton, Ohio 45435-0001

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 8, 2003

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WRIGHT STATE UNIVERSITY

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Wright State University's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2003 with selected comparative information for the year ended June 30, 2002. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial and Other University Highlights

- For the second consecutive year, the University experienced a reduction in state appropriations from the preceding year. The total reductions in appropriations were \$2.6 million in 2003 and \$1.1 million in 2002.
- In partial response to the continued reduction of state appropriations, the University increased tuition by eight percent for all returning students (9.9 percent for the School of Medicine). For all new students (excluding the School of Medicine), the tuition increase was approximately 12.2 percent. Despite these larger than normal increases in student fees, the University still had the fourth lowest in-state tuition rate among the State of Ohio's thirteen four-year public institutions.
- Notwithstanding the reduction in state support, net assets increased \$10.3 million or 3.7 percent from June 30, 2002. Almost the entire increase was in unrestricted net assets, the result of favorable variances in tuition and fees as a result of a higher than anticipated enrollment as well as conservative spending on the parts of the colleges and administration.
- In the fall of 2002, the University completed a full renovation of Millett Hall, its largest academic building at a cost of \$14.8 million. In addition, the University opened a new food venue, *The Union Market*, in October of 2002 at a cost of \$7.8 million.
- Fall 2002 student headcount increased 4.5 percent and full time equivalent (FTE) students for the fiscal year increased 4.3 percent from the prior year.
- For the fifth year in a row, Wright State University was the top choice for Miami Valley valedictorians in fiscal 2003 according to the Dayton Daily News.
- Wright State students continued their winning tradition at the National Model United Nations (NMUN) by again earning top honors. For 24 years, Wright State students have earned top honors at the NMUN, the largest intercollegiate conference of its kind. NMUN attracts students from all over the world.
- The university's Nutter Center was named the 2002 Prime Site Award winner for the third year in a row by *Facilities & Event Management* magazine.
- Through June 2003, the University has raised \$41 million as part of its fundraising campaign entitled "*Tomorrow Takes Flight: The Campaign for Wright State University*", which seeks \$40 million in operating and endowment funds for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowments. Although the campaign is not scheduled to be completed until 2004, the University has already exceeded its goal of \$40 million.

- In April of 2003 the University issued \$16.9 million of general receipts bonds. This transaction was performed in order to refund (refinance) the university's two existing bond issues that had totaled approximately \$9.1 million and to borrow approximately \$7.8 million of new monies to finance two new projects and to partially reimburse ourselves for a portion of the cost of the Union Market food venue that was completed in the fall of 2002. The refunding resulted in an economic savings of approximately \$469,000. The University now has only one bond issue outstanding at an effective interest rate of 3.71 percent.
- The University completed and adopted a new strategic plan during the 2003 fiscal year.
- The University's Board of Trustees approved a new financial policy that will assist in establishing priorities and aid in financial decision making. The policy addresses the impacts of major financial and strategic decisions and the potential impacts that they may have on operating margins, university reserves and long-term debt. With the expectation that the University will need to rely on more of its own resources as it moves into the future, the policy will help guide decisions in order to achieve a proper balance between addressing current needs and making appropriate provision for assuring the ability of the University to meet needs in the future.
- During 2003 the University made major strides in its efforts to select and acquire a new Enterprise Resource Planning (ERP) System. This project will replace all administrative information systems within the University, including financial, human resource/payroll, student, and contributor relations systems. Many university departments and divisions have participated in the planning efforts. Once a new system is acquired, the implementation period for this project is expected to be approximately four years.

Using the Annual Report

This annual report includes 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 Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

The three financial statements should help the reader of the annual report determine whether the university's overall financial condition has improved or deteriorated as a result of the current year's financial activities. These financial statements present similar information to that disclosed in private sector (i.e. corporate) financial statements. The financial statements will also assist the reader in evaluating the ability of the University to meet its financial obligations. The Statement of Cash Flows presents information related to both cash inflows and cash outflows and is further categorized by operating, noncapital financing, capital and related financing, and investing activities.

Statement of Net Assets

The Statement of Net Assets, which reports all assets and liabilities of the University, presents the financial position of the University at the end of the fiscal year. Our net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the University during the year. A summary of the university's assets, liabilities, and net assets as of June 30, 2003 and 2002 is as follows:

	2003	2002
	<u>(All dollar amounts in thousands)</u>	
Current assets	\$ 87,489	\$ 73,103
Noncurrent assets:		
Capital assets, net	225,160	222,089
Other	<u>70,772</u>	<u>62,946</u>
Total assets	<u>383,421</u>	<u>358,138</u>
Current liabilities	66,355	56,785
Noncurrent liabilities	<u>24,384</u>	<u>18,976</u>
Total liabilities	<u>90,739</u>	<u>75,761</u>
Net assets:		
Invested in capital assets, net of related debt	209,916	210,513
Restricted	21,390	20,926
Unrestricted	<u>61,376</u>	<u>50,938</u>
Total net assets	<u>\$ 292,682</u>	<u>\$ 282,377</u>

A review of the summary indicates that the University has continued to build upon its solid financial foundation. This is a result of the university's continued conservative spending habits, its ability to respond positively to continuing reductions in state support, and its success in achieving steady increases in student enrollment.

Total assets have increased \$25.3 million, \$16.1 million of the increase in cash and investments. *Current assets* are comprised primarily of cash and operating investments, student and trade receivables, and prepaid expenses. The increase in current assets in 2003 is primarily due to an additional increase in cash and short-term investments. Cash and short-term investments increased from \$40.0 million in 2002 to \$51.5 million in 2003, primarily as a result of the increase in unrestricted net assets. Accounts receivable grew slightly from \$18.0 million at June 30, 2002, to \$18.7 million at June 30, 2003. Accounts receivable is comprised of primarily sponsor receivables on contracts and grants as well as student receivables for various student fees and charges. Prepaid expenses increased \$1.6 million from \$8.3 million to \$9.9 million at June 30, 2003 primarily due to additional licensing agreements made on behalf of OhioLINK, the statewide library program for which the University is the fiscal agent. The majority of all prepaid expenses are in support of this program. Capital assets also achieved a modest growth of \$3.1 million. Other noncurrent assets increased \$7.8 million to \$70.8 million at June 30, 2003 as a result of \$3.3 million of unspent bond proceeds on hand at the end of 2003 for projects not yet completed as well as another \$2.0 million of licensing agreements on behalf of OhioLINK.

Current liabilities are comprised primarily of trade payables and accrued liabilities, deferred revenues from both student fees and advance payments for contracts and grants, and the current portion of long-term liabilities. These liabilities increased from \$56.8 million at June 30, 2002 to \$66.4 million at June 30, 2003. Trade payables increased \$2.9 million due to some large routine liabilities that surfaced close to June 30. Deferred revenue increased from \$25.1 million to \$32.4 million or \$7.3 million. The majority of this increase is a result of advance payments received from participating institutions in the OhioLINK program. Accrued liabilities decreased from \$11.5 million to \$10.2 million as a result of the timing of a quarterly remittance to the state retirement system.

Net assets represent what is left of the university's assets after deducting liabilities. A more detailed summary of the university's net assets as of June 30, 2003 and 2002 is as follows:

	2003	2002
	<u>(All dollar amounts in thousands)</u>	
Invested in capital assets, net of related debt	\$ 209,916	\$ 210,513
Restricted:		
Nonexpendable	1,364	1,364
Expendable	20,026	19,562
Unrestricted:		
Designated	64,660	55,723
Undesignated	<u>(3,284)</u>	<u>(4,785)</u>
Total net assets	<u>\$ 292,682</u>	<u>\$ 282,377</u>

Invested in capital assets, net of related debt represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. Capital activity was modest in 2003 with no more than routine acquisitions of equipment and library books and publications as well as continued investments to maintain aging facilities.

Restricted nonexpendable represents the university's permanent endowments. It does not include the endowments held by the Wright State University Foundation, to which all new gifts are directed. *Restricted expendable* represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. \$16.2 million of the \$20.0 million at June 30, 2003 represent funds restricted for student loans.

Unrestricted net assets are funds that the University has at its disposal to use for whatever purposes it determines appropriate. While these net assets are not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. Each year the lion's share of any increase in fund balance is designated for one of these purposes. Colleges and divisions are able to retain their own budgeted funds that are not spent at the close of the fiscal year. We believe this permits the units to manage their resources more effectively, allowing them to hold them for higher priorities in later years. This policy also benefits the University as a whole by encouraging the accumulation of reserves that provide financial stability during periods of fiscal stress and that generate investment income that supplements other revenue sources. This policy has become particularly important with the implementation of the university's new financial policy. Surpluses generated outside of the specific colleges and divisions (i.e. general university surpluses) are typically designated for specific university projects. An example of such a project is the ERP project for which \$4.0 million has been designated.

The undesignated fund deficit represents the unfunded portion of the compensated absence accrual of \$12.4 million.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the University. A summary of the university's revenues, expenses and changes in net assets for the years ended June 30, 2003 and June 30, 2002 is as follows:

	<u>2003</u>	<u>2002</u>
	<u>(All dollar amounts in thousands)</u>	
Operating Revenues:		
Student tuition & fees - net	\$ 75,564	\$ 65,605
Grants and contracts	71,974	61,575
Sales and services	7,363	6,011
Auxiliary enterprises	13,154	8,930
Other	<u>1,600</u>	<u>2,618</u>
Total	169,655	144,739
Operating expenses	<u>266,425</u>	<u>243,484</u>
Operating loss	(96,770)	(98,745)
Nonoperating revenues (expenses):		
State appropriations	92,302	94,932
Gifts	4,679	4,322
Investment income	3,036	1,484
Interest expense	(637)	(625)
Other income (expense)	(230)	(3,343)
Capital appropriations	6,481	12,841
Capital grants	<u>1,444</u>	<u>909</u>
Total	107,075	110,520
Increase in net assets	10,305	11,775
Net assets - beginning of year	<u>282,377</u>	<u>270,602</u>
Net assets - end of year	<u>\$ 292,682</u>	<u>\$ 282,377</u>

Interpretation of the university's Statement of Revenues, Expenses, and Changes in Net Assets is complicated by the fact that Wright State University serves as the fiscal agent for the statewide library program known as OhioLINK. This program's revenues from state appropriations and from other college and university libraries (shown under Grants and Contracts) and expenses are all included in our financial statements. At certain points in this analysis, we present information net of OhioLINK revenues or expenditures. The total revenues and expenses attributable to OhioLINK are as follows:

OhioLINK Revenues and Expenses
For the Year Ended June 30

	<u>2003</u>	<u>2002</u>	<u>Difference</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Grants and contracts	\$ 15,277,720	\$ 9,153,999	\$ 6,123,721	66.9%
State appropriations	<u>6,787,892</u>	<u>8,470,137</u>	<u>(1,682,245)</u>	<u>(19.9)%</u>
Total revenues	<u>\$ 22,065,612</u>	<u>\$ 17,624,136</u>	<u>\$ 4,441,476</u>	<u>25.2%</u>
Expenses:				
Total OhioLINK	<u>\$ 22,065,612</u>	<u>\$ 17,624,136</u>	<u>\$ 4,441,476</u>	<u>25.2%</u>

The University relies primarily on state appropriations and student tuition and fees to fund the ongoing programs and operations of the University. Although accounting standards classify state appropriations as a nonoperating revenue source, over the years it has been the largest single source of revenue for the University. For the first time ever in 2003, gross tuition revenue exceeded the amount of state appropriations received by the University. Even though the amount of state appropriations received by the University each year is in general a function of student credit hour enrollment and although 2003 enrollment was at an all-time high, appropriations were reduced a second straight year in 2003 due to state budget cuts. The result of this reduction in state support was a continued greater reliance on student tuition and fees. As the table below demonstrates, the State of Ohio has been dramatically shifting the burden for funding the cost of higher education to students and their families over the past two decades.

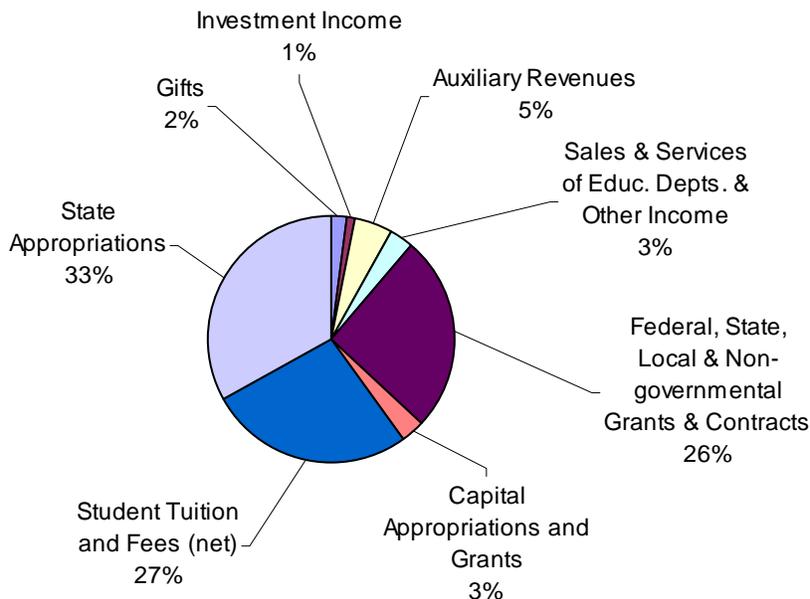
State Appropriations per Dollar of Gross Tuition

<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Appropriations net of OhioLINK</u>	<u>Net State Appropriations per Dollar of Gross Tuition</u>
1980	\$ 13,833,157	\$ 29,604,813	\$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2002	82,426,162	86,461,640	1.05
2003	94,242,118	85,513,853	0.91

The shifting of the financial burden has been escalating in recent years. As can be seen in the table above, in just the three most recent years the State has gone from funding \$1.16 for every dollar of gross tuition to only \$0.91. In gross dollars, the difference between state appropriations (net of OhioLINK) and gross tuition went from a positive \$11.9 million in 2001 to a negative \$8.7 million in 2003. That swing of \$20.6 million over just three fiscal years is a measure of the growing burden placed on students and their families by the withdrawal of state support. Wright State has done its best to minimize this shift of burden by assessing lower than average tuition and fees in recent years. Wright State ranks fourth lowest (out of 13) of the four-year public institutions with respect to student tuition rates. The lower three each have received special state funding that Wright State does not receive.

This erosion of state support continues to place a great deal of financial pressure on all public colleges and universities. We believe that it places special pressure on institutions such as Wright State University. On the one hand, we know that we serve students from a wide range of economic backgrounds, many of whom find the rising cost of higher education especially challenging. On the other hand, we feel obliged to provide our students with a rich and challenging experience and to move forward on other strategic goals. When the State assessed another mid-year budget cut in 2003, we absorbed the cut through spending reductions. With each reduction in the state's share of support, it becomes more difficult to nurture vibrant academic programs, provide effective and convenient services, and maintain lower levels of tuition than our peers.

Below is a graphic illustration of revenues by source for the year ended June 30, 2003.



State appropriations declined 2.8 percent from \$94.9 million in 2002 to \$92.3 million in 2003. As explained previously, for the second consecutive year, the State reduced the amount of appropriations given to the University. As a matter of fact, the amount of state appropriations per FTE fell from approximately \$7,356 in 2001 to approximately \$6,644 in 2003, an almost ten percent drop. If one were to adjust these figures by any measure of inflation, the percentage reduction would be even greater.

Net student tuition and fees increased over 15 percent from 2002 to 2003, up from \$65.6 million to \$75.6 million. This increase is the result of several factors. One factor is the larger than normal tuition increase in 2003 of between eight and twelve percent, depending primarily upon whether the student was a new or continuing student. This increase was necessitated by the continued reductions in state appropriations. The increase also reflects a 4.3 percent growth in FTE enrollment.

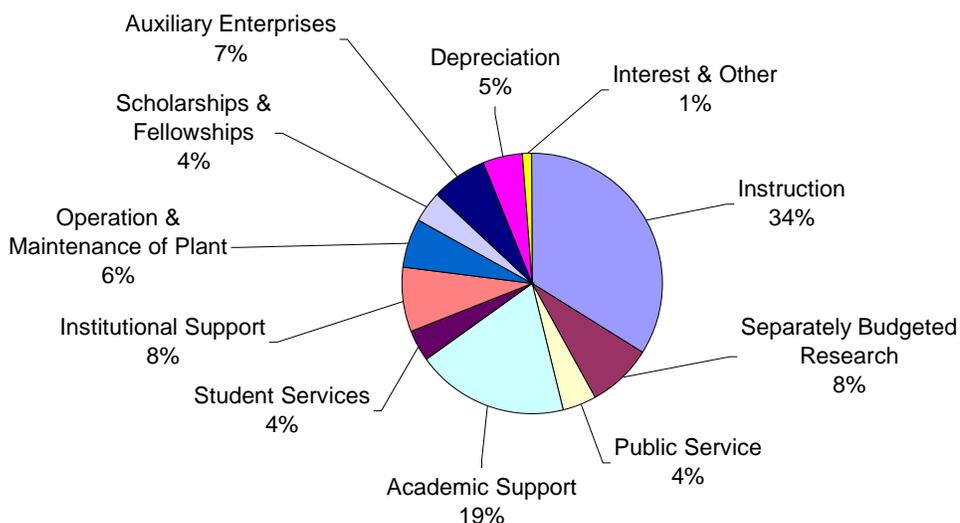
Grants and contracts increased from \$61.6 million in 2002 to \$72.0 million in 2003, an increase of \$10.4 million or 17 percent. The University is pleased that grant and contract activity continues to increase each year. 2003 was no exception. The most significant increase in 2003 continues to be the revenue generated from other colleges and universities in support of and participation in the OhioLINK program that is administered by the University. The 2003 increase for this program was \$6.1 million. In addition, numerous new federal awards accounted for another \$4.0 million increase from 2002 to 2003.

Auxiliary revenues increased from \$8.9 million in 2002 to \$13.2 million in 2003 as a result of a change in the structure of the university's contract with its food service contractor. In 2002, the contractor ran the food service operations as an independent entity, simply paying the University a rental commission for the space. In 2003, the University took over the operations and hired the contractor as a provider of services in assisting the University in running the operations. Therefore, in 2003 all of the gross revenues belong to the University rather than the contractor. This amounted to an increase of approximately \$4.0 million in auxiliary revenues.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, increased from \$6.0 million in 2002 to \$7.4 million in 2003. The primary increase was the result of additional conferences and clinical activities within the School of Medicine.

Investment income doubled in 2003, from \$1.5 million in 2002 to \$3.0 million in 2003, due to a strong rebound in the equity markets during the fourth quarter of the fiscal year. Almost the entire \$3.0 million was earned during that quarter, enabling the University to meet its annual plan. During the previous several years, the equity markets had been declining, which caused the earnings in 2002 to be depressed.

The following is a graphic illustration of expenses by function for the year ended June 30, 2003:



Overall operating expenses were \$266.4 million in 2003 as compared to \$243.5 million in 2002. This represents an increase of \$22.9 million or 9.4 percent. The largest component of expenses is employee compensation and benefits. Salaries and benefits increased \$8.4 million overall. This increase was attributable to routine compensation increases, filling a number of vacant positions that had been open in the previous year, increased sponsored program awards (exclusive of OhioLINK), and increased benefit costs. Health care and retirement costs alone increased \$2.0 million in 2003. In addition, there was an additional \$0.6 million increase in compensated absence expense. Although salaries and benefits increased in 2003, as a percent of total operating costs they decreased from 62.2 percent in 2002 to 60.5 percent in 2003.

OhioLINK expenditures increased \$4.4 million over 2002, primarily in the form of increased license agreements. Auxiliary expenditures increased \$5.1 million, most notably due to the change in the university's contract with its food service provider as described earlier. Other notable increases were an increase of \$1.0 million for maintenance and repair of buildings, \$0.6 million increase in depreciation, and \$3.2 million of additional supply items for computers, office furniture, central computing software and peripheral items. A substantial portion of these expenses was associated with the final move into the newly renovated Millett Hall.

Overall operating expenses increased \$22.9 million in 2003. Much of this increase can be attributed to \$10.4 million in increased expenses associated with grants and contracts (including OhioLINK), which are externally funded and earmarked for specific purposes. Another \$4.0 million was the result of the contractual change in food service operations. The remaining increase of \$8.5 million is a more accurate portrayal of the true increases in costs. This amounts to only a 3.5 percent increase in operating costs in 2003 over that of 2002. Since FTE enrollments increased by 4.3 percent, spending per student actually fell in 2003 for the second straight year.

Statement of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2003. A summary of the Statement of Cash Flows is as follows:

	2003	2002
	<u>(All dollar amounts in thousands)</u>	
Cash provided (used) by:		
Operating activities	\$ (81,591)	\$ (86,046)
Noncapital financing activities	97,076	99,199
Capital and related financing activities	(2,540)	(9,752)
Investing activities	<u>(223)</u>	<u>119</u>
Net increase in cash and cash equivalents	12,722	3,520
Cash and cash equivalents-beginning of year	34,158	30,638
Cash and cash equivalents-end of year	<u>\$ 46,880</u>	<u>\$ 34,158</u>

Cash and cash equivalents increased \$12.7 million. This is a reflection of the positive operating results the University achieved in 2003. The improvement in the generation of cash in 2003 as compared to 2002 is primarily the result of less capital spending and an improvement in operating revenues while carefully controlling spending. Cash flows from operating activities improved in 2003 compared to 2002 and cash flows from noncapital financing activities decreased by \$2.1 million, primarily as a result of the decrease in state appropriations of \$2.6 million. With the majority of the capital activity from the university's most recent capital plan winding down in 2003, capital expenditures decreased. In addition, the University received approximately \$7.0 million of net debt proceeds in 2003 from the issuance of bonds. This was offset, however, by a reduction of state capital funding in 2003 as compared to 2002.

Capital Assets and Debt

Capital Assets

The University had approximately \$225.2 million invested in capital assets, net of accumulated depreciation of \$148.5 million at June 30, 2003. Capital assets were \$222.1 million, net of accumulated depreciation of \$137.8 million at June 30, 2002. Depreciation expense for the year ended June 30, 2003 was \$14.0 million compared to \$13.4 million in 2002. A summary of net capital assets for the years ended June 30, 2003 and 2002 is as follows:

	2003	2002
	<u>(All dollar amounts in thousands)</u>	
Land, land improvements and infrastructure	\$ 20,618	\$ 20,945
Buildings	166,496	150,703
Machinery and equipment	17,125	15,869
Library books and publications	19,188	19,385
Construction in progress	<u>1,733</u>	<u>15,187</u>
Total capital assets-net	<u>\$ 225,160</u>	<u>\$ 222,089</u>

The University undertook no new major projects during 2003. The University completed both a major renovation of Millett Hall, the university's largest academic building, and the development of the Union Market food venue within the Student Union facility. The majority of the costs had already been expended

before 2003. Both projects were taken out of construction in progress and capitalized into buildings during 2003. All other capital activity was routine, although the University is experiencing an increase in expenses for repair and maintenance of its facilities.

Debt

The University issued \$16.3 million in general receipts bonds late in the fiscal year at a premium of \$0.6 million for a total issue of \$16.9 million. These bonds were used to refund two prior bond issues (\$9.1 million) and to finance three other projects (\$7.8 million). The effective interest rate of the new issue was 3.71 percent. With this lower rate, the University was able to achieve a present value savings on the refunded bonds of approximately \$469,000. The three new projects include the renovation of existing student apartments, the construction of an electrical substation, and a portion of the costs of the construction of the Union Market food venue that was completed in the fall of 2002. The use of an electrical substation will generate more than enough utility savings to pay for its part of the debt. All but \$1.5 million of the new bond issue will be repaid by 2012. With this bond issue, the University received a bond rating of A2 from Moody's Investors Service.

Outstanding debt as of June 30, 2003 was \$18.6 million as compared to \$11.6 million at June 30, 2002. The University has the one bond issue of \$16.9 million and equipment leases of \$1.7 million.

Economic Factors That Will Affect the Future

Management is confident that the University continues to improve its financial foundation by which to continue its mission of teaching, research, and service. Even in the face of continued budget cuts from the State of Ohio, the University has managed its finances so as to not only continue serving the students well but also to strengthen its position for the future. We continue, however, to be concerned with the economic status of the State of Ohio. We have had two consecutive years of actual reductions in support from the State. According to the Ohio Legislative Service Commission, higher education's share of the state budget has fallen from 16.9 percent of the total in 1980 to 13.9 percent in 2000 and to 12.3 percent in 2003. The University has had to find alternate or enhanced sources of funding. One such source has been the fundraising campaign that the University is currently undertaking in support of scholarships, faculty development, program support, and facility improvements. While we have already exceeded our goal of \$40 million, fundraising alone is not enough to offset rapidly declining state support as a share of our budget. Each year, we rely more heavily on tuition payments from students and their families. We continue to hope that a growing appreciation for the importance of higher education in a knowledge economy and a return to more prosperous times will permit the State of Ohio to restore some of the support that has been removed. However, there is little chance that state funding in 2004 will offer any relief.

Aging facilities present another challenge to the University. We are at the point in the life cycle of the University where major maintenance and replacement of systems and other infrastructure are becoming necessary. With the state's reduction of capital funding, we are forced to rely on operating revenues or borrowed funds in order to supplement what the State may give us. Our new financial policy provides a framework to help guide our response to this issue.

Notwithstanding the challenges of the past year, we are proud that we have been able to support the work of a dedicated and able faculty and staff while positioning the University for greater accomplishments in the future.

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Report of Independent Auditors

To Wright State University:

In our opinion, the accompanying statement of net assets and the related statement of revenues, expenses, and changes in net assets and cash flows, present fairly, in all material respects, the financial position of Wright State University at June 30, 2003 and 2002, and its revenues, expenses and 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. These financial statements are the responsibility of Wright State University's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 2 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2003 on our consideration of Wright State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2003. 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.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 30, 2003

WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2003 and 2002

ASSETS	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents	\$ 43,554,542	\$ 34,158,063
Short-term investments	7,949,858	5,886,209
Accounts receivable (net of allowance for doubtful accounts of \$630,000 in 2003 and 2002 - Note 3)	18,684,608	18,026,960
Loans receivable (net of allowance for doubtful loans of \$1,547,500 in 2003 and \$1,512,500 in 2002)	2,959,885	2,857,241
Inventories	748,314	709,377
Prepaid expenses	9,913,367	8,271,883
Deferred charges	3,678,689	3,193,106
Total current assets	<u>87,489,263</u>	<u>73,102,839</u>
Noncurrent assets:		
Restricted cash and cash equivalents	3,325,854	
Restricted investments	42,569	82,369
Loans receivable (net of allowance for doubtful loans of \$149,500 in 2003 and \$137,500 in 2002)	14,801,334	13,599,146
Other assets	2,793,437	761,845
Other long-term investments	49,808,373	48,502,789
Capital assets, net (Note 4)	225,160,090	222,088,573
Total noncurrent assets	<u>295,931,657</u>	<u>285,034,722</u>
Total assets	<u>\$ 383,420,920</u>	<u>\$ 358,137,561</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 16,696,177	\$ 13,815,562
Accrued liabilities	10,192,342	11,465,539
Deferred revenue (Note 1)	32,358,662	25,100,992
Refunds and other liabilities	521,430	667,303
Current portion of long-term liabilities (Note 5)	6,586,202	5,735,627
Total current liabilities	<u>66,354,813</u>	<u>56,785,023</u>
Noncurrent liabilities:		
Long-term liabilities (Note 5)	24,384,121	18,975,443
Total noncurrent liabilities	<u>24,384,121</u>	<u>18,975,443</u>
Total liabilities	<u>90,738,934</u>	<u>75,760,466</u>
 Net assets:		
Invested in capital assets, net of related debt	209,915,621	210,512,948
Restricted - nonexpendable: endowment		
Separately budgeted research	357,337	357,337
Scholarships and fellowships	1,003,500	1,003,500
Other	3,044	3,044
Restricted - expendable:		
Instruction and departmental research	500,435	485,299
Separately budgeted research	2,109,800	2,186,001
Public service	241,624	183,934
Academic support	13,875	13,874
Scholarships and fellowships	692,653	737,611
Loans	16,192,476	15,591,679
Debt service	272,597	360,459
Other	2,599	3,432
Unrestricted	61,376,425	50,937,977
Total net assets	<u>292,681,986</u>	<u>282,377,095</u>
Total liabilities and net assets	<u>\$ 383,420,920</u>	<u>\$ 358,137,561</u>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$18,677,977 in 2003 and \$16,821,002 in 2002)	\$ 75,564,141	\$ 65,605,160
Federal grants and contracts	34,900,385	30,887,756
State grants and contracts	6,622,930	6,581,669
Local grants and contracts	455,917	575,898
Nongovernmental grants and contracts	29,994,178	23,529,384
Sales and services	7,363,086	6,011,365
Auxiliary enterprises sales (net of scholarship allowances of \$1,285,063 in 2003 and \$1,222,326 in 2002)	13,154,113	8,929,833
Other operating revenues	1,599,826	2,617,517
Total operating revenues	169,654,576	144,738,582
OPERATING EXPENSES		
Educational and general:		
Instruction and departmental research	89,858,999	84,741,470
Separately budgeted research	21,573,393	20,366,035
Public service	10,238,024	9,241,734
Academic support	51,573,900	44,686,156
Student services	11,930,262	10,984,002
Institutional support	20,431,799	20,083,572
Operation and maintenance of plant	16,140,175	14,562,689
Scholarships and fellowships	10,266,702	10,205,248
Total educational and general	232,013,254	214,870,906
Auxiliary enterprises	20,228,111	15,155,613
Other operating	220,068	64,555
Depreciation	13,963,153	13,392,213
Total operating expenses	266,424,586	243,483,287
Operating (loss)	(96,770,010)	(98,744,705)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	92,301,745	94,931,777
Gifts	4,678,334	4,321,659
Investment income (net of investment expenses of \$198,661 in 2003 and \$201,143 in 2002)	3,036,192	1,484,380
Interest on capital asset-related debt	(636,602)	(624,813)
Other nonoperating revenues (expenses)	(230,409)	(3,342,842)
Net nonoperating revenues before capital appropriations and capital grants	99,149,260	96,770,161
Capital appropriations from the State of Ohio	6,481,392	12,840,919
Capital grants	1,444,249	908,841
Total nonoperating revenues (net)	107,074,901	110,519,921
Increase in net assets	10,304,891	11,775,216
NET ASSETS		
Net assets - beginning of year	282,377,095	270,601,879
Net assets - end of year	\$ 292,681,986	\$ 282,377,095

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2003 and 2002

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2003</u>	<u>2002</u>
Student tuition and fees	\$ 76,255,218	\$ 66,245,008
Federal, state, local, and nongovernmental grants and contracts	77,865,446	64,548,615
Sales and services of educational and other departmental activities	7,748,140	5,911,696
Payments to employees	(128,811,379)	(122,318,431)
Payments for benefits	(32,327,186)	(30,023,543)
Payments to suppliers	(83,549,408)	(67,978,015)
Payments for scholarships and fellowships	(11,204,606)	(11,096,657)
Student loans issued	(4,990,840)	(4,776,526)
Student loans collected	3,686,008	3,469,718
Student loan interest and fees collected	288,452	289,078
Auxiliary enterprise sales	13,449,139	9,683,240
	<hr/>	<hr/>
Net cash (used) by operating activities	(81,591,016)	(86,045,817)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	92,301,745	94,931,777
Gifts	4,774,787	4,266,773
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	97,076,532	99,198,550
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	6,481,392	12,840,919
Capital grants received	1,444,249	908,841
Purchases of capital assets	(16,361,051)	(21,711,195)
Sales of capital assets	1,170	491,257
Proceeds from capital debt	16,937,719	
Principal paid on capital debt and leases	(10,406,898)	(1,656,959)
Interest paid on capital debt and leases	(636,602)	(624,813)
	<hr/>	<hr/>
Net cash (used) in capital and related financing activities	(2,540,021)	(9,751,950)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	87,401,528	84,543,867
Interest on investments	1,723,107	3,042,440
Purchase of investments	(89,347,797)	(87,466,810)
	<hr/>	<hr/>
Net cash (used)/provided in investing activities	(223,162)	119,497
 Net Increase in Cash and Cash Equivalents		
	12,722,333	3,520,280
Cash and Cash Equivalents - Beginning of Year	34,158,063	30,637,783
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Cash and Cash Equivalents - End of Year	\$ 46,880,396	\$ 34,158,063
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See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2003 and 2002

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:

	<u>2003</u>	<u>2002</u>
Operating loss	\$ (96,770,010)	\$ (98,744,705)
Depreciation	13,963,153	13,392,213
Change to allowance for doubtful accounts		300,000
Change to allowance for doubtful loans	47,000	
Changes in assets and liabilities:		
Accounts receivable	5,523	1,321,101
Inventory	(38,937)	(36,515)
Prepaid expenses	(1,716,862)	(6,023,731)
Deferred charges	(485,583)	(341,826)
Other assets	(2,031,592)	(342,389)
Accounts payable	1,684,969	789,800
Accrued liabilities	(1,273,197)	1,439,429
Deferred revenue	7,257,670	2,548,867
Compensated absences	600,000	700,000
State Allocated Unfunded Workers Compensation Liabilities	(1,335,445)	492,992
Refunds and other liabilities	(145,873)	(234,245)
Loans to students and employees	(1,351,832)	(1,306,808)
Net cash (used) by operating activities	<u>\$ (81,591,016)</u>	<u>\$ (86,045,817)</u>

Noncash Transactions:

Capital lease	<u>\$ 463,877</u>
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See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2003

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of more than 16,500 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's six colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed. The University is a political subdivision of the State of Ohio and accordingly, its financial statements are included, as a discrete entity, in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity". Within the university's financial statements, there are no controlled entities. Affiliated organizations, which are not controlled by the University, such as Alumni and Parents Associations as well as the Wright State University Foundation have been excluded from the university's financial statements.

The financial statements have been prepared in accordance with generally accepted accounting principles for colleges and universities within the United States, as prescribed by GASB.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis. The University reports as a business-type activity, as defined by GASB Statement No. 35, "Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities." Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. All internal (between funds) transactions have been eliminated.

Cash and Cash Equivalents

Cash equivalents include amounts held in the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements held in sweep accounts with various institutions in demand accounts. In addition, each of the external investment managers maintains a balance in a money market fund. These balances are included as cash equivalents due to their high liquidity and short-term nature. Other investments purchased with three months or less to maturity are also considered cash equivalents.

Investments

Investments are reported at fair value, as established by the major securities markets. Money market investments (U.S. treasury and agency obligations) that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost and approximate fair value. If contributed, investments are valued at market value at the date of donation. Investment income is recognized on an accrual basis. Purchases and sales of investments are accounted for on the trade date basis. Investment trade settlements receivable and payable represent investment transactions occurring on or before June 30, 2003, which settle after such date. Realized and unrealized gains and losses are reported as investment income or loss.

Wright State University

Notes to Financial Statements (Continued)

All securities purchased by external investment managers in the university's "liquidity" and "diversified" investment pools, with the exception of money market purchases and redemptions, are considered investments regardless of maturity date, as these investment pools are designed more for capital appreciation and have average durations of at least two years. Investments with maturities of less than one year are considered short-term or current.

Distributions of investment earnings are made from the university's endowment fund to the operating units that benefit from the endowment funds. The endowment spending policy calls for the distribution of 4 percent of the previous twelve quarter moving average market value of the endowment fund. In addition, as of June 30, 2003 and 2002 there was approximately \$2,530,000 and \$2,662,000, respectively, of net appreciation on investments of donor-restricted endowments that are available for expenditure. They are reported as "restricted-expendable" net assets in the statement of net assets.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The university's threshold for capitalizing fixed assets is \$3,000 and an estimated useful life of 5 or more years. Using the straight-line method, capital assets are depreciated over their estimated useful lives; generally, 40 years for buildings, 30 years for land improvements and infrastructure, 15 years for library books and publications, and 5 to 10 years for machinery and equipment. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are not encumbered or sold for financial gain. Consequently, such collections are not recognized in the financial statements.

Deferred Revenue

Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were \$21.8 million and \$9.1 million, respectively, for the year ended June 30, 2003 and \$16.6 million and \$7.2 million, respectively, for the year ended June 30, 2002.

Net Assets

Net assets are classified as follows: Invested in capital assets, net of related debt represents the value of capital assets less accumulated depreciation and the debt related to acquisition, or construction of the asset. Restricted – Nonexpendable are comprised primarily of gifts which are subject to external restrictions requiring that the principal be invested in perpetuity and that only the cumulative earnings be utilized. Restricted – Expendable represents resources that have been received and must be used for specific purpose. Unrestricted represents net assets that are not subject to external restrictions. Management or the Board of Trustees designates most of the

Wright State University

Notes to Financial Statements
(Continued)

unrestricted net assets for specific purposes in research, academic, capital acquisition, or other initiatives.

Revenues and Expenses

Revenues and expenses are classified as operating or nonoperating. Operating revenues are resources primarily from exchange transaction activities. These include payments received for services, such as tuition and fees, and most grants and contracts. Nonoperating revenues are from non-programmatic sources and have the characteristics of nonexchange transactions. They include state appropriations, gifts, and investment income. Nearly all of the university's expenses are a result of exchange transactions, and therefore classified as operating expenses. The major nonoperating expenses are net losses on the disposition of capital assets and interest expense on capital assets-related debt.

Scholarship Allowances

Scholarship allowances represent aid awarded to the student in the form of reduced tuition and are computed and reported in the financial statements under the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO). Financial aid in the form of a cash payment to the student is reported as scholarship and fellowship expense in the financial statements. Third party loans such as Stafford loans and certain aid awarded to the students by third parties are credited to the student's account as if the student made the payment.

Income Taxes

The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Previous Year's Financial Information

Certain reclassifications have been made to the 2002 comparative information to conform to the 2003 presentation.

(2) Cash, Cash Equivalents and Investments

The carrying amount of cash and cash equivalents of all funds totaled \$9,288,674 and \$3,492,392 as compared to bank balances of \$16,042,641 and \$7,248,496 at June 30, 2003 and 2002, respectively. The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand. The bank balances are comprised of \$11,695,797 demand and time deposit accounts, a \$2,579,900 certificate of deposit and \$1,766,944 in money market funds at June 30, 2003. Of the bank balances, \$195,908 is insured by the Federal Deposit Insurance Corporation, \$13,968,688 is uninsured but collateralized by

Wright State University

Notes to Financial Statements
(Continued)

pools of government securities pledged by the depository banks and held by Federal Reserve Banks in the member bank's name, and \$1,878,045 is uninsured and uncollateralized.

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. These categories follow:

- Category 1- Investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University.
- Category 2- Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the university's name.
- Category 3- Investments that are uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in the university's name.

The cost and fair value of investments at June 30 are as follows:

	Cost		Fair Value	
	2003	2002	2003	2002
Repurchase agreements	\$ 10,043,922	\$ 7,685,667	\$ 10,043,922	\$ 7,685,667
State Treasury Asset Reserve of Ohio	30,127,699	25,480,004	30,127,699	25,480,004
Other	3,200	3,200	3,200	3,200
	<u>40,174,821</u>	<u>33,168,871</u>	<u>40,174,821</u>	<u>33,168,871</u>
Managed under trust agreements:				
U.S. agency securities	11,299,850	12,837,796	11,467,431	13,022,092
U.S. treasury securities	12,636,461	6,641,216	12,967,667	6,820,013
Corporate bonds	16,533,103	18,277,395	17,415,834	18,420,973
State and municipal bonds	17,631	22,668	18,797	23,703
Common and preferred stock	6,879,924	7,609,411	6,300,947	6,586,113
Small capital value fund	2,038,382	1,962,450	2,498,979	2,550,523
Small capital growth fund	1,932,112	1,932,043	1,984,132	1,834,104
International equity fund	3,950,528	3,938,307	2,521,345	2,628,277
	<u>55,287,991</u>	<u>53,221,286</u>	<u>55,175,132</u>	<u>51,885,798</u>
Total	<u>\$ 95,462,812</u>	<u>\$ 86,390,157</u>	<u>\$ 95,349,953</u>	<u>\$ 85,054,669</u>

The U.S. government and agency securities are invested with banks which keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as owned by or pledged to the University (Category 3). Corporate bonds, state and municipal bonds and common and preferred stock investments are in safekeeping with Depository Trust Co., in the custodial bank's name but who also internally designate the investments as owned by or pledged to the University (Category 3). The collateral for the repurchase agreements, which consist of U.S. government securities, is held by the Federal Reserve Bank of Cleveland in the member bank's name (Category 3).

Wright State University

Notes to Financial Statements
(Continued)

The small capital value and growth funds and the international equity funds are invested with companies registered under the Investment Company Act of 1940 as open-end management investment companies. The mutual funds are not required to be categorized by GASB Statement No. 3.

The University also invests funds in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office that 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. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30. STAROhio is not required to be categorized by GASB Statement No. 3.

In addition to the cash and investments listed above, deposits of \$42,569 are held in trust for future payments of interest on the Series 2003 General Receipts Serial bonds.

(3) Accounts Receivable

The composition of accounts receivable at June 30 is as follows:

	<u>2003</u>	<u>2002</u>
Sponsor receivables	\$ 7,904,822	\$ 8,666,519
Student accounts	6,318,348	5,172,018
Investment trade receivables	2,835,995	2,061,058
Hospital reimbursements	897,492	950,358
Interest receivable	510,670	499,497
Other, primarily departmental sales and services	847,281	1,307,510
Total	<u>19,314,608</u>	<u>18,656,960</u>
Less: Allowance for doubtful accounts	630,000	630,000
Net accounts receivable	<u>\$ 18,684,608</u>	<u>\$ 18,026,960</u>

Wright State University
Notes to Financial Statements
(Continued)

(4) Capital Assets

Capital assets activity for the year ended June 30, 2003 is summarized as follows:

	<u>07/01/2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/2003</u>
Land	\$ 3,049,830	\$	\$	\$	\$ 3,049,830
Land improvements and infrastructure	23,148,745	448,530			23,597,275
Buildings	225,456,680	2,297,565	9,057	19,528,269	247,273,457
Machinery and equipment	47,696,710	6,209,240	3,129,539		50,776,411
Library books and publications	45,328,412	2,235,900	344,478		47,219,834
Construction in progress	15,186,716	6,075,013		(19,528,269)	1,733,460
Total	<u>\$ 359,867,093</u>	<u>\$ 17,266,248</u>	<u>\$ 3,483,074</u>	<u>\$</u>	<u>\$ 373,650,267</u>
Less accumulated depreciation:					
Land improvements and infrastructure	5,253,176	777,222			6,030,398
Buildings	74,753,936	6,032,150	9,057		80,777,029
Machinery and equipment	31,827,450	4,721,791	2,897,960		33,651,281
Library books and publications	25,943,958	2,431,990	344,479		28,031,469
Total accumulated depreciation	<u>137,778,520</u>	<u>13,963,153</u>	<u>3,251,496</u>	<u></u>	<u>148,490,177</u>
Capital assets, net	<u>\$ 222,088,573</u>	<u>\$ 3,303,095</u>	<u>\$ 231,578</u>	<u>\$</u>	<u>\$ 225,160,090</u>

Wright State University

Notes to Financial Statements
(Continued)

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the year ended June 30, 2003 is summarized as follows:

	Beginning Balance 7/1/2002	Additions	Principal Repayments/ Reductions	Ending Balance 6/30/2003	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 9,754,000	\$ 16,937,719	\$ 9,754,000	\$ 16,937,719	\$ 1,608,433
Equipment leases	<u>1,821,625</u>	<u>463,877</u>	<u>652,898</u>	<u>1,632,604</u>	<u>477,769</u>
Total bonds and equipment leases	11,575,625	17,401,596	10,406,898	18,570,323	2,086,202
Other liabilities:					
Compensated absences	11,800,000	5,422,384	4,822,384	12,400,000	4,500,000
Allocation of state unfunded workers' compensation	<u>1,335,445</u>		<u>1,335,445</u>		
Total other liabilities	<u>13,135,445</u>	<u>5,422,384</u>	<u>6,157,829</u>	<u>12,400,000</u>	<u>4,500,000</u>
Total long-term liabilities	<u>\$ 24,711,070</u>	<u>\$ 22,823,980</u>	<u>\$ 16,564,727</u>	<u>\$ 30,970,323</u>	<u>\$ 6,586,202</u>

Reduction in the allocation of state unfunded workers' compensation is a result of the State of Ohio assuming this liability as of June 30, 2003. The transfer of this liability was reflected in the statement of revenues, expenses, and changes in net assets as a reduction of operating expenses.

Bonds payable on June 30, 2003 consist of Series 2003 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of plant fund indebtedness at June 30, 2003 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2004-2023	3.00% - 5.00%	\$ 16,315,000	\$ 622,719	\$ 16,937,719
Equipment lease purchase obligations	2003-2009	2.50% - 6.56%	<u>1,632,604</u>		<u>1,632,604</u>
		Total	<u>\$ 17,947,604</u>	<u>\$ 622,719</u>	<u>\$ 18,570,323</u>

Wright State University
Notes to Financial Statements
(Continued)

The scheduled maturities of plant fund indebtedness for the next five years and for the subsequent four year periods are as follows:

Year Ended June 30	Principal	Interest	Total
2004	\$ 2,022,769	\$ 810,948	\$ 2,833,717
2005	2,010,948	647,260	2,658,208
2006	1,946,489	568,416	2,514,905
2007	1,991,532	490,481	2,482,013
2008	2,066,359	409,453	2,475,812
2009-2013	6,504,507	974,524	7,479,031
2014-2018	625,000	287,700	912,700
2019-2023	<u>780,000</u>	<u>120,750</u>	<u>900,750</u>
Total	<u>\$ 17,947,604</u>	<u>\$ 4,309,532</u>	<u>\$ 22,257,136</u>

All general receipts of the University, except for state appropriations, are pledged for payment of the 2003 bonds.

On April 8, 2003, the University issued \$16,315,000 in General Receipts bonds. The bonds were issued to refund outstanding General Receipts bonds, Series 1971 and Series 1993, and to finance a food service renovation, a student housing renovation and the construction of an electrical substation. The Series 2003 bonds consist of \$15,145,000 serial bonds and \$1,170,000 term bonds with an effective interest rate of 3.71%. The bonds are dated March 15, 2003 and were priced on March 24, 2003.

Of the total Series 2003 bonds, \$315,000 serial bonds were issued to advance refund \$389,000 of outstanding Series 1971 General Receipts bonds serial bonds which had an interest rate of 3%. The bonds will be called on November 1st and bondholders will be paid on November 3, 2003. The net proceeds of these bonds (after payment of issuance expenses) plus available debt service funds were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1971 bonds. As a result, the Series 1971 bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The advanced refunding of the Series 1971 bonds will result in decreased total debt service payments of \$145,567 over the next six years. Refunding the Series 1971 bonds also resulted in an economic loss (the difference between the present values of the debt service payments on the old and new debt) of \$6,442.

Of the total Series 2003 bonds, \$8,355,000 serial bonds were issued for a current refunding of \$8,455,000 of outstanding Series 1993 General Receipts bonds serial bonds which had interest rates ranging from 4.7% - 5.5%. The bonds were called on Monday June 2, 2003. As a result, the Series 2003 bonds are considered defeased and the liability for those bonds has been removed from long-term debt. This current refunding will result in decreased total debt service payments of \$1,631,558 over the next eight years and an economic gain of \$475,473.

Wright State University

Notes to Financial Statements
(Continued)

(6) Retirement Plans

University faculty participate in either the State Teachers Retirement System of Ohio (STRS) or an alternative retirement plan (ARP). Substantially all other employees participate in either the Public Employees Retirement System of Ohio (PERS) or the ARP. Both STRS and PERS are statewide cost-sharing multiple employer plans. Both plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits for both STRS and PERS is provided by state statute per the Ohio Revised Code.

Both STRS and PERS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to STRS at 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090 or making a written request to PERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

Plan participants are required to contribute 9.3% and 8.5% and the University 14.0% and 13.31% of the employees' covered compensation for STRS and PERS, respectively. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$6,966,850, \$6,866,452, and \$6,631,924, and to PERS were \$6,023,531, \$5,718,930, and \$4,335,404, for the years ended June 30, 2003, 2002, and 2001 respectively, equal to the required contributions for each year.

Certain full-time university faculty and unclassified staff have the option to choose the ARP in place of STRS or PERS. The ARP is a defined contribution plan which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rates for plan participants are 9.3% and 8.5% of employees' covered compensation for employees who would otherwise participate in STRS and PERS, respectively. The University contributes 13.31% of a participating unclassified staff member's compensation to the participant's account. Effective October 1, 2001 the university's contributions to a participating faculty member's account and to STRS changed from 8.24% and 5.76% of a participant's compensation, respectively, to 10.5% and 3.5%, respectively. Plan participants' contributions were \$2,053,685, \$1,957,109, and \$1,615,807, and the university's contributions to the plan providers amounted to \$2,745,302, \$2,571,028, and \$1,746,576, respectively, for the years ended June 30, 2003, 2002, and 2001. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$434,553, \$451,863, and \$567,181, respectively, for the years ended June 30, 2003, 2002, and 2001.

(7) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while PERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under PERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate changed from 4.5% to 1% of the total 14.00% (see note 6), while the PERS rate changed from 4.3% to 5% of the total 13.31% (see note 6) effective July 1, 2002.

Wright State University

Notes to Financial Statements
(Continued)

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and PERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.011 billion at June 30, 2002. The number of benefit recipients eligible for OPEB was 105,300 for STRS at June 30, 2002. The amount contributed by the University to STRS to fund these benefits was \$497,632 for the year ended June 30, 2003.

Postretirement health care under PERS is advance-funded on an actuarially determined basis. The actuarial value of PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. 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 PERS active contributing participants was 402,041 for the year ended December 31, 2001. For the year ended June 30, 2003 the University contributed \$2,262,784 to PERS for OPEB funding.

(8) Related Organization

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation totaled approximately \$47,000,000 at June 30, 2003. Such assets relate principally to donor restricted funds and are not recorded in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating gifts in the accompanying financial statements. In addition, the University had an account receivable of approximately \$602,000 from the Foundation at June 30, 2003.

In May 2002, GASB issued Statement No. 39, "Determining Whether Certain Organizations are Component Units." This statement provides criteria for determining whether certain organizations that are affiliated with primary reporting entities should be reported as component units of the primary reporting entities based on the nature and significance of their relationship with them. The statement is effective for years beginning after June 15, 2003. It is expected that the Wright State University Foundation will be a component unit of the University.

(9) State Support

The University is a state-assisted institution of higher education which receives a student enrollment-based subsidy from the State of Ohio. This subsidy is determined annually, based upon a formula devised by the Ohio Board of Regents.

In addition to student enrollment-based subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn results in construction and subsequent transfer of the facility to the University by the Ohio Board of Regents. Costs incurred during construction are included in construction in progress. Upon completion of a facility, the Ohio Board of Regents turns control over to the University.

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Wright State University
Notes to Financial Statements
(Continued)

As a result of the above described financial assistance provided by the State to the University, outstanding debt issued by OPFC is not included in the university's financial statements.

(10) Commitments and Contingencies

At June 30, 2003, the University is committed under contractual obligations for:

Capital expenditures	\$ 5,432,490
Non-capital goods and services	<u>2,980,154</u>
Total contractual commitments	<u>\$ 8,412,644</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 2,486,106
University funds	<u>5,926,538</u>
Total sources	<u>\$ 8,412,644</u>

The contractual commitments above include \$5,411,131 for various capital projects, of which, \$2,486,106 are funded by state capital appropriations and \$2,925,025 by university funds.

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 these matters would not have a material adverse effect upon the financial condition of the University.

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WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
U.S. Department of Education Direct Programs:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 507,758
National Science Scholars Program	84.242	
Federal Family Education Loans (Note B)	84.032	
Federal Work Study	84.033	744,212
Federal Perkins Loan (Note C)	84.038	
Federal Pell Grant	84.063	<u>7,530,903</u>
Total U.S. Department of Education Direct Programs		<u>8,782,873</u>
U.S. Department of Health and Human Services Direct Programs:		
Loans to Disadvantaged Students (Note C)	93.342	
Health Professions Student Loans (Note C)	93.342	
Primary Care Loans (Note C)	93.342	
Nursing Student Loans (Note C)	93.342	
Scholarships for Disadvantaged Students (Medicine)	93.925	110,384
Financial Assistance for Disadvantaged Students (Medicine)	93.139	(7,531)
Scholarships for Disadvantaged Students Program (SOPP)	93.925	<u>27,595</u>
Total U.S. Department of Health and Human Services Direct Programs		<u>130,448</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		<u>8,913,321</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:		
National Institute of Standards and Technology, Subcontract -		
Development of a Thermo-Mechanically Induced Geometric Variation Estimator	11.612	\$ 55,330
U.S. Department of Education, Prime -		
Rehabilitation Research and Training Centers (RRTC) on Drugs and Disability	84.133	487,528
U.S. Department of Education, Subcontract:		
A Research Study on the Effectiveness of the PALS Approach	84.186A	72,996
Addressing Disability Rehabilitation among Racial Minorities: A Focus on HIV and/or Substance Disorders	84.133B	9,215
The PALS Prevention Approach for Youth with Learning Disabilities	84.027	43,403
Total U.S. Department of Education, Subcontract		125,614
Total U.S. Department of Education		613,141
U.S. Department of Health and Human Services, Prime:		
Active Potassium Transport Across Colonic Epithelium	93.848	7,424
Aging and Pilot Time-Sharing Performance	93.866	138,273
Analysis of the Human c-myc Gene Regulation Origin	93.862	290,604
Cardiovascular Disease Enhanced Dissemination and Utilization	93.837	102,463
Cell Volume Regulation in Neurons and Glia	93.853	262,965
Crack and Health Service Use: A Natural History Approach	93.279	978,182
Environmental Light and Retinal Membrane Development	93.867	299,723
Evolution of Axial Specification in Caenorhabditis	93.390	45,006
Genetic and Environmental Influences on Childhood Growth	93.865	335,337
Genetic Epidemiology of Aging and Body Composition	93.866	308,920
Genetic Epidemiology of Bone Turnover Markers	93.866	68,797
Genetic Epidemiology of Childhood Skeletal Maturation	93.865	422,628
Genetic Epidemiology of CVD Risk Factors	93.837	200,852
Genetic Regulation of Adiposity and Associated CVD Risks	93.865	18,248
Higher Order Mechanisms in Color Discrimination	93.867	124,763
Hypothalamic Role in Hypertension	93.837	157,769
Intracellular pH Responses of Central Chemoreceptors	93.838	249,922
Magnesium Sulfate Effects on Pregnant Human Uterus	93.865	(242)
MDMA/Club Drug Use and STD/HIV Sex Risk Behavior in Ohio	93.279	516,737
MdmX Regulation of the p53 Tumor Suppression Protein	93.396	245,875
Mechanisms of Cellular Taurine in Brain Edema	93.854	225,261
Mechanisms of Mammalian Neuronal Integration	93.854	220,155
Molecular Mechanisms of Vasopressin Cytotoxicity in Inherited Diabetes Insipidus	93.847	210,050
Molecular Mechanisms of Retroviral Variation	93.393	9
MVPS: Health Concerns, Role Function, Health Service Use	93.361	61,077
Neurologic Resource in the Quicktime Streaming Format	93.879	45,154
Prediction of Irritation Based on Exposure Duration	93.262	694
Recognition and Repair of Cisplatin - DNA Damage	93.395	247,256
Reducing Barriers to Drug Abuse Treatment Services	93.279	1,780
Regulation of Spinal Interneuron Input-Output Functions	93.854	383,623
Role of Angiotensin Receptors in Central Osmosensitivity	93.837	149,619
Scabies: Biology Culture Host Specificity and Antigens	93.855	211,397
Sexual Maturity for U.S. Children: Relationship with Growth	93.865	97,372
Short Term Training for Minority Students (STREAMS) at Wright State University	93.837	44,710

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Health and Human Services, Prime (Continued):		
Signal Transduction in Neutrophil-Mediated Heart Injury	93.837	\$ 31,336
Skin Penetration of Important Occupational Chemicals in their Pure Form	93.PO#0000351250	4,970
Statistical Analysis of Body Composition Risk Factors	93.865	215,916
Stress-Induced Sickness Behavior during Separation	93.242	313
Subcutaneous Fat, Blood Lipids and Subsequent Outcome	93.865	1,266,531
Wright State University Emergency Power and Quarantine Caging	93.389	16,960
		<hr/>
Total U.S. Department of Health and Human Services, Prime		8,208,433
U.S. Department of Health and Human Services, Subcontract:		
Divergence of Blood Pressure in Adolescent Girls	93.837	54,714
Increasing Substance Abuse Treatment Compliance for Persons with Traumatic Brain Injury	93.144	19,028
Rural Stimulant Use and Mental Health: Services and Outcome	93.279	79,248
State Of Ohio - Know Your Numbers Campaign	93.WP0K93	22,762
Structures of Antibiotics and Related Compounds	93.862	63,102
		<hr/>
Total U.S. Department of Health and Human Services, Subcontract		238,854
Total U.S. Department of Health and Human Services		<hr/> 8,447,288
U.S. Department of Defense, Prime:		
Aircraft Mechanical/Thermal Technology Research	12.800	48,616
Cellular Mechanisms Oxygen Toxicity in the Mammalian Central Nervous System	12.300	247,441
Computational Aerothermodynamics	12.800	74,256
Computational Mathematics for Determining Uncertainty Bounds	12.800	91,993
Decision Support for the Army's Digital Tactical Operations (TOC)	12.431	(376)
Deep-Level Transient Spectroscopy/Defects/Impurities in GaN	12.630	174,970
Design and Development of the TWASP Support Modeling for Team Training	12.300	6,156
Donors, Acceptors, and Traps in A1GaN and A1GaN/GaN Epitaxial Layers	12.800	22,708
Electrical and Optical Properties of Extended Defects in GaN	12.300	20,298
Evolving Pattern Recognition Systems	12.800	110,679
Hardware Design of Real Time, Highly Adaptable Control for Intelligent Radio Frequency Front Ends	12.800	81,304
Hyperbaric Imaging Equipment: in Vitro Studies of Oxygen Toxicity	12.300	196,379
Identification and Elimination of Defects and Impurities in GaN	12.800	48,013
Image Segmentation Evaluation Study	12.F33615-01-C-1853	1,935
Intelligent Distributed Group and Team Training System in AWACS	12.630	19,971
Intergovernmental Personnel Agreement - Bayaktaroglu	12.IPA-BAYRAKTAROGLU	129,667
Intergovernmental Personnel Agreement - Dilsavor	12.IPA/DILSAVOR	113,635
Intergovernmental Personnel Agreement - Johnston	12.IPA-JOHNSTON	90,767
Intergovernmental Personnel Agreement - Minardi	12.IPA/MINARDI	122,948
Investigation of Microwave Attenuation in Plasma	12.800	146,559
Low Level Chemical Toxicity: Relevance to Chemical Agent Defense	12.DAMD17-00-0020	1,744,817
Materials for High Speed Devices	12.F33615-00-C-5402	813,823
Mathematical Modeling, Simulation and Control of Physical Processes	12.800	25,401
Mathematical Investigation of Perfect Arrays	12.901	16,712
Molecular Mechanisms and Modeling of Skin Irritation from JP-8	12.800	34,720
MonoBIT (4-pt) FFT Receiver Backend	12.800	39,743
Multidisciplinary Design Optimization for High Reliability and Robustness	12.300	9,739
Multidisciplinary Nonlinear Sensitivity Analysis	12.800	51,384
Object Oriented Multidisciplinary Design	12.800	(8,997)

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Defense, Prime (Continued):		
Point Deflects and Impurities/Extended Defects in GaN	12.300	\$ 72,009
Precision Design, Modeling and Instrumentation in Turbomachinery	12.800	115,308
Proteomic Analysis of Cisplatin-Resistant Ovarian Cancers	12.420	22,950
Simulating the Interactions of Genes, Proteins and Metabolite	12.800	115,836
Synthetic Aperture Radar (SAR) ATR Parametric Study	12.800	38,792
Two Projects in Algebra and Combinatorics	12.901	11,837
Upgrade NMR Research Instrumentation/Magnetic Resonance Lab	12.630	468,278
		<hr/>
Total U.S. Department of Defense, Air Force, Prime		5,320,270
U.S. Department of Defense, Subcontract:		
Adaptive Structures - Based on Energy Design (ASBED)	12.800	95,903
Bay of Biscay Agent Simulation Environment	12.800	16,259
Center for Advanced Nitride Electronics	12.800	36,781
Characterization of Thin Film Superconductors	12.800	80
Controlling the Apparent Vocal Effort of Synthetic Speech	12.800	34,838
Coupled GMTI Target Tracking with STAP Signal Processing	12.800	73,387
Design and Implementation of a Training and Experimentation Environment for Cooperative Use	12.431	(101)
Develop Modeling and Simulation Capability for Magneto-Gasdynamic Phenomena	12.800	10,000
Developing Effective Strategies and Performance Metrics for Automatic Target Recognition	12.431	25,545
Development and Validation of Alternating Current Sensor to Detect Damage Concentration and Hole Shape	12.800	13,462
Distributed Multirate Multiple Model Filtering with Out-of-Sequence Data	12.800	32,809
Handheld One-Way Voice Communication System	12.910	105,501
High Speed/Resolution Delta Sigma Analog-To-Digital Convert	12.800	159,379
Intelligent Distributed Group and Team Training Systems	12.630	508,819
Intergovernmental Personnel Agreement/Specialized Research	12.IPA-JSLATER	34,418
Large-Scale, Multi-Agent, Distributed Mission Planning and Execution in Complex Dynamic Environment	12.800	15,720
Laser-Based Nano and Micro Machining for Meso-Matter Tooling and Fabrication	12.800	78,298
Modeling and Control Support for Development of Information Theoretic Systems	12.800	3,334
Modeling Electromagnetic-Gasdynamic Actuation	12.800	233
MonoBIT Receiver Design and Implementation	12.800	5,115
Multinational Teams	12.800	15,792
Multirate Interacting Multiple Model Fusion	12.800	10,708
Nanoporous SiC and GaN	12.300	35,591
Nonlinear Analysis of Advanced Composites in a Thermal/Acoustic Environment	12.800	120,325
Order Statistics for FOPEN Target Detection	12.800	30,443
Parallel Subsampling Frequency Interleaved Delta Sigma	12.800	16,379
Polymer-Supported and Solution-Phase Routes-Polyyne Monomers	12.800	8,587
P-POD: A Python-Based Generic Proper Orthogonal Decomposition Simulation Control Tool	12.800	19,630
Prototyping Study into Quantifying the Cost of Spatial Disorientation on Air Force Aerial Operations	12.800	9,790
Quantifying Uncertainty in Structural Response	12.800	44,451
Real-Time Interactive Scheduling in Air Force Logistics	12.800	2,739
Rechargeable Lithium-Ion Cells	12.431	1,769
Science and Engineering of Carbon Foams	12.800	13,165
Secure Knowledge Management Tasks	12.F33615-97-D-1138	26,785
Semi-Active Vibration Control of Fan Blades	12.800	9,191
Sensor ATR Technology	12.800	67,707
Single Ionic Conducting Polymer Electrolyte	12.800	40,068
Studies of YBCO Coated Conductor Processing using Pulsed Laser Deposition	12.800	18,368
Synthesis and Development of Elevated Temperature Electrocatalysts for Alcohol Based Fuel Cells	12.800	29,057
Target Detection in Virtual Environments	12.800	20,619
Terrain/Feature Aided Tracking and Finger-Printing	12.800	30,000
The Cultural Lens in Asymmetrical Operations	12.431	60,397

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Defense, Subcontract (Continued):		
Use of Auditory Displays	12.800	\$ 50,933
Visible and Infrared Sensor Fusion	12.300	(14)
ZnO Laser	12.800	<u>1,800</u>
Total U.S. Department of Defense, Subcontract		<u>1,934,059</u>
Total U.S. Department of Defense		<u>7,254,330</u>
U.S. Department of Energy, Prime:		
Continuous Severe Plastic Deformation Processing - Aluminum Alloys	81.086	157,042
Multiscale Reactive Transport in Processes Related to CO2 Sequestration	81.049	<u>11,372</u>
Total U.S. Department of Energy, Prime		<u>168,414</u>
U.S. Department of Energy, Subcontract:		
Development of Radiopharmaceuticals for the Study of Neurological and Psychiatric Disorders	81.049	674
Processing and Characterization of Aluminum Alloys Produced by the CSPD Process	81.086	<u>9,858</u>
Total U.S. Department of Energy, Subcontract		<u>10,532</u>
Total U.S. Department of Energy		<u>178,946</u>
U.S. Department of Interior, Subcontract -		
Archaeological Investigations at the Wright Brothers' Bicycle Shop Lot, Dayton, Ohio	15.904	<u>14,010</u>
U.S. Department of Transportation, Prime -		
Controller Pilot Data Link Communications (CPDLC) Program	20.108	<u>(15,066)</u>
U.S. Department of Transportation, Subcontract -		
Identifying Potential Collapse Features under Highways	20.205	<u>1,550</u>
Total U.S. Department of Transportation		<u>(13,516)</u>
U.S. Environmental Protection Agency, Prime:		
Analysis of Human Sera Samples from Dialysis Clinic Patients	66.606	3,928
Biomarkers for Organochlorine-Associated Immunosuppression in Birds: Field Investigations in the Great Lakes	66.501	79,435
Development of Human Biomarkers for Cyanobacterial Toxins-the Cyanotoxins	66.500	32,503
Intergovernmental Personnel Agreement - Greenberg	12.IPA-MARCGREENBERG	72,585
Intraspecies Genetic Diversity Measures of Environmental Impacts	66.500	(787)
Measurements of Dioxins and Furans in Environmental Samples	66.501	<u>132,413</u>
Total U.S. Environmental Protection Agency, Prime		<u>320,077</u>
U.S. Environmental Protection Agency, Subcontract -		
Investigation of the Cause of Eared Grebe Mortality at the Salton Sea: Algal Blooms and Biotoxins	66.500	<u>924</u>
Total U.S. Environmental Protection Agency		<u>321,001</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
National Aeronautics and Space Administration, Prime:		
Alpha Workstation for Use in Planetary Atmospheres Modeling	43.001	\$ 53,720
Dynamic Calibration of Pressure Sensors at Elevated Temperatures	43.001	8,000
Human Centered Support/Telerobotic Planetary Exploration (II)	43.001	30,026
Model Studies of Excited States of N2 and N+2 in the Thermosphere/Ionosphere	43.001	44,316
Roles for Technology in the Facilitation of Distributed Work in Complex Dynamic Domain	43.001	100,824
Visual Orientation and Spatial Memory: Mechanisms and Countermeasures	43.001	27,309
Total National Aeronautics and Space Administration, Prime		264,194
National Aeronautics and Space Administration, Subcontract:		
Application of Remote Sensing to the Ohio Environment	43.001	73,872
NASA Mars EVA Prototype - Phase I; Earth Analogs for Human Exploration of Mars	43.001	13,413
Participation in the TIMED Spacecraft IDS Team of Janet U. Kozyra (University of Michigan)	43.001	12,198
Total National Aeronautics and Space Administration, Subcontract		99,483
Total National Aeronautics and Space Administration		363,677
National Science Foundation, Prime:		
A Collaborative Project: Development of an Undergraduate Data Mining Course	47.076	616
Arrays over Small Phase Alphabet Having Desirable Correlation Properties	47.049	66,836
Beyond the Talking Head and Animated Icon: Behaviorally Situated Avatars for Tutoring	47.070	237
Biomedical and Human Factors Engineering Design Projects for Persons with Disabilities	47.041	19,047
Calcium Homeostasis Modeled on the Freshwater Crayfish Molting Cycle	47.074	52,143
CAREER - Maturation of Synaptic Properties during Early Postnatal Development	47.074	107,157
Collaborative Research: Solute Transport in Multimodal, Heterogeneous Geological Formations	47.050	64,013
Computational Models for Sensor-Based Machine Olfaction	47.070	(14)
Cross-Modal Analysis of Signal and Sense	47.075	525,375
Equations of Monge-Ampere Type and Fully Nonlinear Equations	47.049	16,438
Genetics of Haldane's Rule in Caenorhabditis	47.074	71,065
Geostatistical Anatomy of Buried-Valley Aquifers - III	47.050	17,617
Gesture, Speech, and Gaze in Discourse Management	47.070	1,464
GOALI: Laser Additive Manufacturing of Aerospace Components	47.041	15,251
REU: Effect of Dietary Protein on Structure and Function of the Avian Nephron	47.074	7,587
Social Influences on Endocrine and Behavioral Responses during Development	47.074	86,911
Speech Driven Facial Animation	47.070	38,893
Strategic Control of Time-Sharing Performance	47.075	62,784
Trajectory Networks in Human Motion Processes	47.075	60,927
U.S. Brazil Cooperation - NSF POWRE	47.074	27,432
Web-Based Robotics: Supporting Wilde Area Educational Access	47.070	(268)
Total National Science Foundation, Prime		1,241,510
National Science Foundation, Subcontract:		
Computer-Assisted Document Interpretation Tools	47.041	39,770
Design of High-Efficiency Microwave Power Amplifiers with Polyharmonic Operation	47.075	5,528
Exploratory Research: Complementary Development of New Chemical Sensor and Probe Microscopy Techniques	47.049	8,650
IntelliStitch AI: Intelligent Computerized Embroidery Design Automation for the Textile Industry	47.070	7,338
Oxygen Escape from Mars, Venus and Earth	47.049	32,279
Shock Tube Testing of Pressure Sensors	47.DAAH01-01-C-R124	13,401
Total National Science Foundation, Subcontract		106,965
Total National Science Foundation		1,348,475

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title RESEARCH AND DEVELOPMENT CLUSTER (Continued)	Federal CFDA Number or Primary Grant Number	Expenditures
U.S. Department of Agriculture, Prime -		
Reciprocal Cross Effects of Induced Systemic Resistance on Pathogens and Insects	10.206	\$ 97,643
U.S. Fish and Wildlife Services, Prime:		
Impacts of Environmental Contaminants on Fish-Eating Birds of the Passaic River	15.605	2,843
Monitoring of Caspian Tern and Herring Gull Productivity and Immune Functions	15.605	669
Reproductive and Developmental Toxicity of Polychlorinated Dibenzodioxins and Polychlorinated Dibenzofurans	15.808	8,514
Implementing Web-Based Solutions for Satellite Data Presentation, Analysis and Understanding	15.808	8,977
Total U.S. Fish and Wildlife Services, Prime		21,004
U.S. Veterans Administration, Prime:		
Biomedical Laboratory Support Services - Baumann	64.103	7,672
Intergovernmental Research Personnel Agreement - Allen	64.103	3,546
Total U.S. Veterans Administration, Prime		11,219
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		18,712,547

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
U.S. Department of Education Direct Programs:		
A Collaborative University Approach to Training in Adapted Physical Education with Emphasis on Low-Incidence Disabilities	84.325A	\$ 32,499
Accessible ATOD and Violence Prevention for Youth with Disabilities	84.186	22,472
Building Resources in the Development of Global Education for International Business	84.153A	66,370
Capacity-Building Faculty Support	84.048	142,458
Career-Technical Distance Delivery	84.048	73,186
Child Care Subsidy and Promoting Positive Relationships Program	84.335A	41,849
Encountering the Old and New Worlds: Enhancing Student and Faculty Involvement in European and Western Hemispheric	84.016A	58,188
Higher Skills Partnership Initiative for West Central Ohio Business and Industrial Partnership	17.258	29,200
I-NET: Internationalizing Networks through Education and Technology	84.153A	32,431
International Economics Workshop	84.016	789
Ohio Career-Technical Education Leadership Institute	84.048	37,252
Ohio First-Summer Training	84.276	21,443
Partners in Integrated Earth Systems Science (PIES)	84.281	140
Physical Science Modular Professional Development Program	84.116	60,412
Positive Behavioral Support in the Early Childhood Environment	84.323A	4,099
Prevention Through Alternative Learning; Violence and Substance Abuse Prevention	84.PO111	29,563
Professional Growth in the Wright Direction	84.279	15,609
Project RENEUUS: Regional Educational Network between the European Union and the United States	84.116J	42,572
Study Tour on Economic Education	84.153	3,225
Teaching American History Grant	84.215	34,525
The Rural Integrated Science Experience (RISE)	84.281	56,460
U.S. Brazil Biotech Training Consortium (USABRIO)	84.116M	10,365
West Central Ohio Tech Prep Consortium Mini Grant FY02	84.016	8,569
		<hr/>
Total U.S. Department of Education Direct Programs		823,673
Corporation for National and Community Service, Prime -		
A Healthy Child is a Better Learner	94.005	347,029
U.S. Department of Health and Human Services, Prime:		
Acute Care Nurse Practitioner Program	93.299	845
Anatomical Resource in the Quicktime Vr Format	93.879	48,472
Brothers to Brothers/Sisters to Sisters	93.243	169,051
Creating Educational Partnerships in Diverse Communities	93.884	114,358
Expansion of Alliance for Research in Community Health	93.984	182,781
Grandparents/Grandchildren Initiative (GPGCI)	93.110	(200)
Healthlink Miami Valley Network	93.252	868,961
High School Minority Student/Teacher Science Enrichment	93.389	16,426
Nurse Practitioner/Nurse Midwifery Program	93.298	167,329
Online Family Nurse Practitioner 1st and 2nd Master's Degree	93.247	181,310
Online Nurses: RN-BSN Program via the Internet	93.359	138,129
Predoctoral Training in Primary Care	93.896	34,304
Professional Nurse Traineeship	93.358	67,177
Public Health Conference Support Program	93.283	8,334
		<hr/>
Total U.S. Department of Health and Human Services, Prime		1,997,276
U.S. Department of Health and Human Services, Subcontract:		
Dayton Clinical Oncology Program (DCOP) Fiscal Agency	93.399	676,905
Development of a Training Manual and Video Script for Public Health	93.110	(65)
Graduate Research Assistant Stipend-Wey Zheng	93.867	15,402
HIV Early Intervention Project	93.949	230,111
Outreach and Prevention/Intervention HIV Project	93.959	1

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
U.S. Department of Health and Human Services, Subcontract (Continued):		
PECE-PACT: Parents Early Childhood Education/Positive Action Choices Training	93.959	\$ 67,598
Preventing Abuse in the Home (PATH)	93.591	52,221
PRIME Curricular Reform Project	93.226	<u>12</u>
Total U.S. Department of Health and Human Services, Subcontract		<u>1,042,186</u>
Total U.S. Department of Health and Human Services		<u>3,039,462</u>
U.S. Department of Justice, Prime -		
Violence Prevention in Montgomery County	16.579	<u>(236)</u>
U.S. Department of Defense, Prime:		
Air Force ROTC-Uniform Commutation Fund	12.AFROTCR170-1	31,708
Molecular Bio-Computing Workshop	12.800	<u>1,500</u>
Total U.S. Department of Defense, Prime		<u>33,208</u>
U.S. Department of Labor, Subcontract -		
Train the Trainer	17.255	<u>(684)</u>
U.S. Department of Housing and Urban Development, Prime -		
Dayton Community Outreach Partnership Center	14.511	<u>2,832</u>
U.S. Department of Housing and Urban Development, Subcontract:		
Dayton Metropolitan Housing Authority Graduate Research Assistant	14.850	2,499
Hope VI Project Graduate Research Assistant	14.850	2,500
Yellow Springs Home, Inc. Strategic Plan	14.850	<u>3,000</u>
Total U.S. Department of Housing and Urban Development, Subcontract		<u>7,999</u>
Total U.S. Department of Housing and Urban Development		<u>10,831</u>
U.S. Environmental Protection Agency, Prime:		
Cyanotoxin Standard of ELISA/Cylindrospermopsin and Anatoxin-A	66.501	31,675
Fifth International Symposium on Sediment Quality Assessment	66.606	<u>10,000</u>
Total U.S. Environmental Protection Agency, Prime		<u>41,675</u>
National Aeronautics and Space Administration, Prime -		
Aerospace Medicine Residency Program	43.001	<u>576,096</u>
National Aeronautics and Space Administration, Subcontract -		
Delivering the ESSEA On-Line Courses for K-12 Teachers	43.001	<u>13,264</u>
Total National Aeronautics and Space Administration		<u>589,360</u>
National Endowment for the Arts, Prime -		
OhioLINK Cooperative Live Reference Project	45.310	<u>63,572</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
National Endowment for the Humanities, Prime -		
Living and Working in Ohio's Miami Valley, 1890-1929	45.166	\$ 20,142
National Endowment for the Humanities, Subcontract -		
Living and Working in the Miami Valley, 1890-1945	45.166	14,703
Total National Endowment for the Humanities		<u>34,845</u>
National Science Foundation, Prime:		
Collaborative Research: Undergraduate Instruction in Combinatorial Chemistry	47.076	27,414
Computer Science, Engineering, and Mathematics Scholarships (CSEMS) Program at Wright State University	47.076	49,115
Creating Laboratory Access for Science Students (CLASS): National Dissemination	47.076	166,958
Crossing the Interdisciplinary Barrier: An Integrated Undergraduate Program in Bioinformatics	47.070	116,913
High Performance Connection to the VBNS	47.070	107,909
Making Biology Laboratories Effective Learning Environments for Students with Disabilities	47.074	(49,781)
Research Foundations on Successful Participation of Underrepresented Minorities in Information Technology	47.070	(3,472)
UMEB: Wright State University Partners with Wilberforce University to Yield RESULTS	47.074	32,361
Total National Science Foundation, Prime		<u>447,417</u>
National Science Foundation, Subcontract -		
A Series of Workshops in the Chemical Sciences	47.074	11,231
Total National Science Foundation		<u>458,648</u>
Small Business Administration, Prime -		
Dayton Business LINC Partnership	59.037	48,256
Small Business Administration, Subcontract:		
International Trade Program	57.037	1,910
ITAC Program Income Account	59.037	132,660
Manufacturing Small Business Development Center - (M-SBDC)	59.005	81,315
Small Business Development Center	59.037	103,050
Total Small Business Administration, Subcontract		<u>318,934</u>
Total Small Business Administration		<u>367,190</u>
U.S. Department of Veterans Administration, Prime:		
Environmental Health Sciences Internship Program	64.103	3,500
Interactive Training and Development Series - Leadership Transformation Series	64.103	8,234
Leadership and Goalsharing Training	64.103	7,853
Total U.S. Department of Veterans Administration		<u>19,587</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 33,454,027</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Concluded)

WRIGHT STATE UNIVERSITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2003

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Wright State University under programs financed by the U.S. government for the year ended June 30, 2003.

For purposes of the Schedule, expenditures of federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-Federal organizations made under Federally sponsored programs conducted by those organizations.

Awards are classified into major program and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance (CFDA) Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

B. FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the University during the year ended June 30, 2003, are summarized as follows:

Federal Stafford Loans	\$ 20,192,416
Federal Unsubsidized Stafford Loans	21,228,307
Federal Parental Loans for Undergraduate Students (PLUS)	<u>8,192,591</u>
	<u>\$ 49,613,314</u>

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan programs and, accordingly, these loans are not included in the University's financial statements.

C. FEDERAL LOAN PROGRAMS

The University administers the following federal loan programs:

	CFDA Number	Outstanding Balance at June 30, 2003
Federal Perkins Loan Program	84.038	\$ 12,536,501
Loans to Disadvantaged Students	93.342	286,985
Health Professions Student Loan Program	93.342	181,296
Nursing Student Loan Program	93.364	895,809
Primary Care Loan Program	93.342	2,314,411

Total loan expenditures and disbursements of the U.S. Department of Education and the Department of Health and Human Services student financial assistance loan programs for the fiscal year are identified below:

	Number	Disbursements
Federal Perkins Loan Program	84.038	\$ 2,933,270
Loans to Disadvantaged Students	93.342	96,873
Health Professions Student Loan Program	93.342	
Nursing Student Loan Program	93.364	227,952
Primary Care Loan Program	93.342	244,250

* * * * *

Report of Independent Accountants on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To The Board of Trustees of Wright State University:

We have audited the financial statements of Wright State University (the "University") as of and for the year ended June 30, 2003, and have issued our report thereon dated September 30, 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Wright State University in a separate letter dated September 30, 2003.

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 internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Wright State University in a separate letter dated September 30, 2003.



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

Price Waterhouse Coopers LLP

September 30, 2003

**Report of Independent Accountants on Compliance with Requirements
Applicable to each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

To The Board of Trustees of Wright State University:

Compliance

We have audited the compliance of Wright State 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 summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of University’s management. Our responsibility is to express an opinion on the University’s compliance based on our audit. We did not audit the University’s compliance with the billing, recordkeeping, payment processing, collections, reporting and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 Compliance Supplement. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the University’s compliance with those requirements, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, 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.

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, except as noted in the following paragraph, 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. We did not consider internal control over compliance with the billing, recordkeeping, payment processing, collections, reporting and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 Compliance Supplement. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon the report of the other auditors.

Our consideration and the other auditors' consideration of the 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 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 internal control structure over compliance and its operation that we consider to be material weaknesses. Also, the report of the other auditors noted no matters involving the internal control structure over compliance and its operation that they consider to be material weaknesses.

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

PriceWaterhouseCoopers LLP

September 30, 2003

WRIGHT STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2003

Part I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financing reporting:

▶ Material weaknesses identified? _____ yes X no

▶ Reportable conditions identified that are 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 weaknesses identified? _____ yes X no

▶ Reportable conditions identified that are not considered to be material weaknesses? _____ yes X no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of Major Programs:

A. Student Financial Aid - Cluster

B. Research and Development - Cluster

Dollar Threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? X yes _____ no

WRIGHT STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2003

Part II - Financial Statement Findings

No items noted.

Part III - Federal Awards Findings and Questioned Costs

No items noted.

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**Wright State University
Intercollegiate Athletics
Department**

**Report of Independent Auditors on
Applying Agreed-Upon Procedures
for the Year Ended June 30, 2003**

**Report of Independent Auditors
on Applying Agreed-Upon Procedures**

Dr. Kim Goldenberg, President
Wright State University
Dayton, Ohio

We have performed the procedures enumerated below, which were agreed to by management of Wright State University (the "University"), solely to assist the University in complying with National Collegiate Athletic Association (NCAA) Constitution 6.2.3.1. Management of the University is responsible for the Statement of Revenues and Expenditures and internal control over the Athletics Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations 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:

Procedures Related to the Accounting Records

- a. We obtained the Statement of Revenues and Expenditures of the Intercollegiate Athletics Department for the year ended June 30, 2003, as prepared by management and as shown on page 4. We recalculated the addition of the amounts on the statement and compared actual expenditures to the 2003 budgeted expenditures.
- b. We obtained the University's supporting documentation on basketball ticket sales and reconciled financial data therein to the Statement of Revenues and Expenditures for the intercollegiate athletics department. For one basketball game, we obtained the summary of ticket sales and traced the amount to the Total Game Ticket Sales Reconciliation, noting no exceptions.
- c. We agreed the basketball guarantee revenues (away games) and expenditures (home games) to the signed contracts and other supporting documentation, noting no exceptions.
- d. We obtained an understanding of the University's methodology for recognizing gift income in the intercollegiate athletic department to the extent that expenses have been incurred and reimbursement has been requested from Wright State University Foundation

Dr. Kim Goldenberg, President
Wright State University
Dayton, Ohio

(Foundation). The Foundation originally receives all donors' gifts. We agreed recorded revenues to copies of checks received from the Foundation for 25 selected items, noting no exceptions.

- e. We inspected a report detailing all contributions received for intercollegiate athletics. We noted one contribution of \$99,255 received directly by the University, which constituted more than 10% of all contributions.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Procedures Related to the Internal Accounting Controls

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

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

- f. We obtained an understanding of the general control environment as it relates to the athletic department. Specifically, we evaluated the following as it relates to the athletic department: (1) departmental organization, (2) control consciousness of department employees, (3) competency of personnel, (4) adequate safeguarding and control of department records and assets, and (5) controls over interactions with data processing.
- g. We obtained an understanding of the University's procedures for gathering information on the nature and extent of the outside organization's activities for or in behalf of the intercollegiate athletic programs. We found that the University receives internal reports of the outside organization's activities on a monthly basis and an external audited report on an annual basis.

Dr. Kim Goldenberg, President
Wright State University
Dayton, Ohio

Procedures Related to Wright State University Foundation

- h. We obtained the list of outside programs and related financial activities for the year ended June 30, 2003, which is included on page 5 of this report.
- i. We were informed by the athletic business manager that the information referred to in "d." above is a complete list of programs outside the University's financial reporting system, which conducted financial transactions for or in behalf of the University's intercollegiate athletic programs during the year ended June 30, 2003.
- j. We confirmed directly with officers of the Foundation that the data contained in "d." above represents a complete and accurate summary of all business transacted for or in behalf of the University's intercollegiate athletic programs during the year ended June 30, 2003.
- k. We obtained the financial statements of the Foundation for the year ended June 30, 2003, which had been examined by independent auditors who expressed an unqualified opinion on those statements.

We were not engaged to, and did not, perform an examination of the University's system of internal control over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal control over financial reporting of the University as of June 30, 2003. Accordingly, we do not express such an opinion. We also were not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2003, and accordingly we express no opinion on its operating effectiveness. Had we performed additional procedures, or had we made an examination of the system of internal control over financial reporting, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to any financial statements of the University.

This report is intended solely for the information and use of the University management and governing boards, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

September 29, 2003

Wright State University
Intercollegiate Athletics
Statement of Revenues and Expenditures
for the year ended June 30, 2003

	<u>Basketball</u>	<u>Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
Operating Revenues:				
Student Activity Fees	\$ 542,056	\$ 3,059,506	\$ 2,147,536	\$ 5,749,098
Athletics Ticket Sales	300,130	3,592	2	303,724
Athletic Guarantees	60,000	12,500	-	72,500
Advertising	155,550	-	20,000	175,550
Gifts - WSU Foundation & Private	151,381	39,998	66,564	257,943
Sports Conference Shared Revenue	-	-	110,848	110,848
Federal Grants - Work Study	4,192	-	14,343	18,535
Promotions	-	93,414	54,778	148,192
Children's Swim Lessons	-	-	9,366	9,366
Athletic Camps	39,627	159,609	-	199,236
Other	6,726	5,748	86,039	98,513
	<u>\$ 1,259,662</u>	<u>\$ 3,374,367</u>	<u>\$ 2,509,476</u>	<u>\$ 7,143,505</u>
Operating Expenditures:				
Coaches Salaries & Benefits	\$ 541,203	\$ 746,072	\$ -	\$ 1,287,275
Other Salaries & Benefits	68,706	119,645	1,050,345	1,238,696
Grants-In-Aid	206,207	1,611,392	12,260	1,829,859
Athletic guarantees	6,169	5,400	5,754	17,323
Conference Membership Fees	635	1,955	2,390	4,980
Communications	116,060	75,791	77,955	269,806
Travel	116,460	532,234	157,193	805,887
Recruiting	77,861	72,853	-	150,714
Insurance	393	1,047	37,555	38,995
Capital Expenditures	-	-	(120)	(120)
Supplies	29,794	181,451	169,616	380,861
Operation and Maintenance of Plant	601	686	286,363	287,650
Rent	91,890	21,249	1,701	114,840
Conference tournament expenses	3,173	-	-	3,173
Other	510	4,592	188,638	193,740
	<u>\$ 1,259,662</u>	<u>3,374,367</u>	<u>1,989,650</u>	<u>\$ 6,623,679</u>
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,826</u>	<u>\$ 519,826</u>

Wright State University
Statement of Changes in Funds
Restricted Funds
for the year ended June 30, 2003

Gift Accounts:	Beginning Fund	Increase in Funds (1)	Expenses for or in Behalf of Program (2)	Transfers & Others	Ending Fund
ADC Platinum Charter	\$ 1	\$ 141,938	\$ 141,939	\$ -	\$ -
Athletics General Fund	-	54,162	54,198	-	(36)
Baseball	561	1,575	-	-	2,136
Baseball Facility Project	7,129	30,000	-	(37,129)	-
Baseball Operations	0	-	-	-	-
Baseball Premium Seats	0	500	-	(500)	-
Basketball - Men's	0	9,575	9,442	-	133
Basketball - Women's	8	1,686	1,680	-	14
Cheerleading	113	425	538	-	-
Cross Country - Men's	75	-	-	-	75
Cross Country - Women's	150	-	-	-	150
Campus Scholarship Campaign - Athletics	2,320	-	-	-	2,320
Campus Scholarship Campaign - Men's Basketball	1	-	-	-	1
Campus Scholarship Campaign - Women's Basketball	39	-	-	-	39
Emerald Jazz	639	350	989	-	-
Golf	6,483	8,750	12,659	-	2,574
Greg Nischwitz	19,315	10,735	12,039	(7,276)	10,735
Hall of Fame Fund	763	-	763	-	-
Heider/Best Scholarship	2,386	397	-	-	2,783
Soccer - Men's	0	3,646	3,251	-	395
Soccer - Women's	1,573	1,120	2,648	-	45
Soccer Light Fund	30,000	1,021	30,000	-	1,021
Softball	101	770	-	-	871
Sports Information	75	-	-	-	75
Swimming - Men's	50	2,825	2,719	-	156
Swimming - Women's	251	2,925	3,176	-	-
Tennis - Men's	38	13	-	-	51
Tennis - Women's	-	38	-	-	38
Track - Women's	-	100	-	-	100
Training Room	-	3,490	3,490	-	-
Volleyball	-	1,035	300	-	735
Women's Volleyball Scholarship	478	-	-	-	478
WSU Pavilion Fund	42,600	139,967	8,114	-	174,453
Wynkoop Scholarship	1,715	50	-	-	1,765
	<u>116,864</u>	<u>417,093</u>	<u>287,945</u>	<u>(44,905)</u>	<u>201,107</u>
Endowment Income Accounts:					
Greg Nischwitz	145,653	240	-	-	145,893
Heider/Best Scholarship	1,483	125	-	-	1,608
Greg Nischwitz	53,684	5,798	-	(12,731)	46,751
Heider/Best Scholarship	6,480	234	-	(478)	6,236
	<u>207,300</u>	<u>14,397</u>	<u>0</u>	<u>(13,209)</u>	<u>198,488</u>
Total Wright State Foundation	<u>\$ 324,164</u>	<u>\$ 423,490</u>	<u>\$ 287,945</u>	<u>\$ (58,114)</u>	<u>\$ 401,595</u>

- (1) Amount includes cash receipts and interest accruals allocated to the endowment accounts.
- (2) The Foundation is the only organization outside of the University's financial system that conducted transactions for or on behalf of the Athletic Department.



**Auditor of State
Betty Montgomery**

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

WRIGHT STATE UNIVERSITY

GREENE 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 18, 2003**