

# WRIGHT STATE *UNIVERSITY*

## **Annual Report and Single Audit Reports For Federal Awards For the Year Ended June 30, 2005**

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 Wright State University, Greene County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2004 through June 30, 2005. 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. Wright State University is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 19, 2005

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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, 2005 with selected comparative information for the years ended June 30, 2004 and 2003. 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

- The University adopted Governmental Accounting Standards Board (GASB) Statement No. 40 in 2005 which expanded the university's disclosures of investments that have values that are sensitive to changes in interest rates.
- State appropriations for all purposes other than OhioLINK (a statewide library initiative for which the University serves as fiscal agent) fell by \$1.8 million in 2005 from 2004. State appropriations were \$.6 million less in 2004 from 2003. The University continues to experience a downward trend in support from the State of Ohio.
- Because State support continues to decline, the University was forced to increase tuition by 9.9 percent for all students except the School of Medicine, which increased 12.9 percent. These increases still enable the University to maintain the fourth lowest in-state undergraduate tuition rate among the State of Ohio's thirteen four-year public institutions.
- Net assets increased \$13.3 million at June 30, 2005 from June 30, 2004. Unrestricted net assets increased \$16.7 million which can be attributed to favorable revenue variances (primarily tuition and fees and investment income), unspent budgets, and the University reimbursing itself with debt proceeds for expenditures made in 2004.
- In December 2004 the University issued \$32.3 million of general receipts bonds at an effective interest rate of 4.03 percent. The bonds were issued to supplement other funding sources for the renovation and expansion of science facilities and laboratories, renovation of the Student Union and Frederick A. White Center, construction of various parking and road improvements, and the purchase and installation of an administrative software system.
- Fall 2004 student headcount as well as annual full time equivalent (FTE) students increased 1.3 percent from the prior year.
- For the 26<sup>th</sup> consecutive year, top honors went to Wright State students at the National Model United Nations (NMUN) conference. The NMUN is the largest intercollegiate conference of its kind as students from all over the world participate in the conference.
- The University continues to raise funds as part of its fundraising campaign entitled "*Tomorrow Takes Flight: The Campaign for Wright State University*". Through June 30, 2005 the University has raised almost \$93 million. The campaign had set an original goal of raising \$40 million in operating and endowment funds for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowments. Due to the continuing success of the campaign, the University will continue the campaign through 2006.

- For the third year in a row, Wright State undergraduate and graduate teams won top honors at the annual National Case Competition, sponsored by the Society for the Advancement of Management. In addition, university students placed fifth in the National Intercollegiate Ethics Bowl, finishing in the top ten for the fifth consecutive year.
- The University continued with the implementation of its new Enterprise Resource Planning (ERP) System. While the project in total replaces all administrative information systems within the University, including financial, human resource/payroll, student, and advancement and fund-raising systems, 2005 saw the culmination of the finance module implementation as it went “live” on July 1, 2005. Other modules have scheduled implementation dates that occur during calendar 2006.

### **Using the Annual Report**

This annual report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These financial statements are prepared in accordance with 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. All comments and discussions included in this discussion and analysis relate only to Wright State University and not to the Wright State University Foundation unless specifically noted.

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 Statements 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.

### **Statements of Net Assets**

The Statements 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 is as follows:

	2005	2004	2003
	(All dollar amounts in thousands)		
Current assets	\$ 84,496	\$ 89,141	\$ 87,489
Noncurrent assets:			
Capital assets, net	228,641	227,257	225,160
Other	119,148	74,926	70,772
Total assets	<u>432,285</u>	<u>391,324</u>	<u>383,421</u>
Current liabilities	64,926	65,961	66,355
Noncurrent liabilities	51,114	22,406	24,384
Total liabilities	<u>116,040</u>	<u>88,367</u>	<u>90,739</u>
Net assets:			
Invested in capital assets, net of related debt	206,594	210,772	209,916
Restricted	22,321	21,515	21,390
Unrestricted	87,330	70,670	61,376
Total net assets	<u>\$ 316,245</u>	<u>\$ 302,957</u>	<u>\$ 292,682</u>

The summary indicates a strong growth in net assets, particularly unrestricted net assets. This is a reflection of the university's management style. It is a combination of prudent spending, which resulted in savings over budgeted expenses, as well as favorable revenue variances as a result of both conservative budgeting and favorable student enrollment mixes. With the current trend of reducing State support, the University has been more careful to position itself financially to absorb the State's ever decreasing commitment to higher education while continuing to fund the strategic initiatives it feels are critical for continued success.

*Total assets* have increased \$41.0 million in 2005 over 2004. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, actually decreased by \$4.6 million in 2005. This is the result of a combination of items. Accounts receivable increased by almost \$2.8 million, primarily because of amounts owed to the University by the State of Ohio for capital construction that was performed late in the year. The majority of the university's accounts receivable, though, is comprised of both student accounts and sponsor accounts from research and other sponsored activities. The overall increase in accounts receivable was offset by decreases in both prepaid expenses and cash and operating investments. Prepaid expenses, primarily comprised of prepaid license agreements made on behalf of OhioLINK decreased from \$11.0 million in 2004 to \$7.4 million in 2005. OhioLINK is a statewide library program for which the University is the fiscal agent. Cash and operating investments also decreased from \$51.1 million in 2004 to \$47.2 million in 2005. This is primarily the result of a rebalancing of the investment portfolio as overall cash and investments actually increased.

*Other assets* increased \$44.2 million from \$74.9 million in 2004 to \$119.1 million in 2005. Other assets are comprised of long-term investments, long-term student loans receivable, longer term prepaid expenses, and restricted cash. \$26.1 million of the increase is the result of unspent bond proceeds from a December 2004 bond issuance. These funds will be spent over the next two fiscal years. Long-term investments increased from \$57.7 million in 2004 to \$70.3 million in 2005 as a result of both increased resources and the rebalancing of the university's investment portfolio to shift more assets to longer term investment vehicles. There was a minimal increase of \$1.4 million in capital assets (net of depreciation) in 2005.

The 2004 increase in total assets was \$7.9 million over 2003 with no significant changes in balances.

Total assets of the Wright State University Foundation increased from \$61.4 million at June 30, 2004 to \$97.3 million at June 30, 2005, an increase of \$35.9 million. Of the \$97.3 million, investments comprise \$81.4 million and gifts and pledges receivable comprise another \$12.4 million. Investments rose approximately \$34.4 million over its 2004 level, primarily due to the outstanding success of the current fundraising campaign coupled with positive returns generated in the investment market.

*Current liabilities* are comprised primarily of accounts 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 decreased from \$66.0 million at June 30, 2004 to \$64.9 million at June 30, 2005. Accounts payable and accrued liabilities together increased \$1.0 million from \$19.5 million to \$20.5 million. The current portion of long-term liabilities increased \$1.9 million due to an increase in debt service payments in 2006 stemming from the issuance of general receipts bonds in December 2004. These increases are offset by a decrease of \$3.9 million in deferred revenues from \$38.8 million in 2004 to \$34.9 million in 2005 primarily as a result of a decrease in advance payments from sponsors.

Current liabilities in total decreased from \$66.4 million at June 30, 2003 to \$66.0 million at June 30, 2004. This decrease was a mix of a large decrease in accounts payable in 2004 caused by a large decrease in investment trade payables offset by a 2004 increase in deferred revenues from additional advance sponsor payments.

*Noncurrent liabilities* were \$51.1 million at June 30, 2005 and \$22.4 million at June 30, 2004. The 2005 increase of \$28.7 million resulted from the University issuing \$32.3 million of general receipts bonds.

*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 is as follows:

	2005	2004	2003
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	\$ 206,594	\$ 210,772	\$ 209,916
Restricted:			
Nonexpendable	1,364	1,364	1,364
Expendable	20,957	20,151	20,026
Unrestricted:			
Designated	82,999	70,413	64,660
Undesignated	4,331	257	(3,284)
Total net assets	<u>\$ 316,245</u>	<u>\$ 302,957</u>	<u>\$ 292,682</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. Actual capital activity was light in both fiscal 2005 and 2004. The University continued with the implementation of its new administrative software system begun in 2004 and continued with routine annual investments to its buildings and facilities. In December 2004 the University also issued general receipts bonds for projects that will begin in fiscal 2006.

*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. \$18.0 million and \$17.1 million of the restricted expendable fund balances at June 30, 2005 and June 30, 2004, respectively, 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 majority 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 practice 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. In addition, it also supports the goal of increased university reserves that is contained in the university's financial policy. Surpluses generated outside of the specific colleges and divisions (i.e. general university surpluses) are typically designated for specific university projects.

### Statements of Revenues, Expenses and Changes in Net Assets

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

	2005	2004	2003
	(All dollar amounts in thousands)		
Operating Revenues:			
Student tuition & fees - net	\$ 99,537	\$ 87,295	\$ 75,804
Grants and contracts	87,854	79,657	71,974
Sales and services	7,429	6,828	7,123
Auxiliary enterprises	14,444	14,871	13,154
Other	1,746	1,785	1,600
Total	<u>211,010</u>	<u>190,436</u>	<u>169,655</u>
Operating expenses	<u>305,434</u>	<u>284,227</u>	<u>266,425</u>
Operating loss	(94,424)	(93,791)	(96,770)
Nonoperating revenues (expenses):			
State appropriations	93,099	91,725	92,302
Gifts	5,224	4,970	4,679
Investment income	4,966	3,565	3,036
Interest expense	(1,058)	(657)	(637)
Other income (expense)	2	(13)	(230)
Capital appropriations	4,678	3,447	6,481
Capital grants	801	1,029	1,444
Total	<u>107,712</u>	<u>104,066</u>	<u>107,075</u>
Increase in net assets	13,288	10,275	10,305
Net assets - beginning of year	<u>302,957</u>	<u>292,682</u>	<u>282,377</u>
Net assets - end of year	<u>\$ 316,245</u>	<u>\$ 302,957</u>	<u>\$ 292,682</u>

Interpretation of the university's Statements 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, federal pass-through grants (Grants and contracts) and from other college and university libraries (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:

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Grants and contracts	\$ 25,842,299	\$ 20,077,437	\$ 5,764,862	28.7%
State appropriations	<u>8,374,846</u>	<u>5,159,550</u>	<u>3,215,296</u>	<u>62.3%</u>
Total revenues	<u>\$ 34,217,145</u>	<u>\$ 25,236,987</u>	<u>\$ 8,980,158</u>	<u>35.6%</u>
Expenses:				
Total OhioLINK	<u>\$ 34,217,145</u>	<u>\$ 25,236,987</u>	<u>\$ 8,980,158</u>	<u>35.6%</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, the University continues to rely upon it as a primary funding source and therefore manages it as an operating revenue item. Unfortunately, each year this source becomes a smaller and smaller fraction of total revenues. For the first time ever in 2005, the amount of net student tuition and fees (**after** deducting \$22.2 million of financial aid awards from the students' original charges) actually exceeded state appropriations. State appropriations had always been viewed as our primary funding source. Unfortunately, especially during the new millennium, total state appropriations have been declining continually. These reduced funding levels have required the University to rely more and more on student tuition and fees. As the table below demonstrates, the State of Ohio over the past two decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

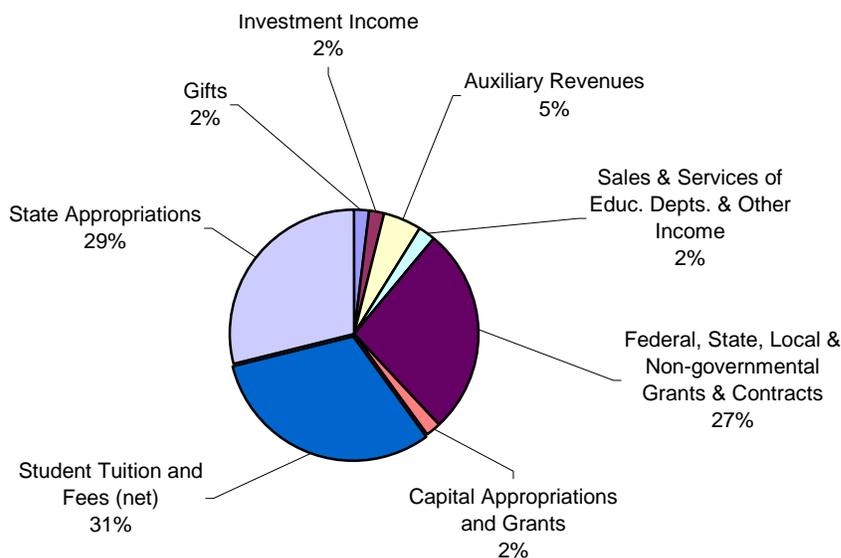
#### State Appropriations per Dollar of Gross Tuition

<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
2004	107,972,107	86,565,632	0.80
2005	121,717,222	84,724,080	0.70

This shifting of the financial burden has caused the University concerns, especially in recent years. In the last four years, there has been a forty percent reduction in the ratio of state appropriations to gross tuition. In gross dollars, the difference between state appropriations (net of OhioLINK) and gross tuition has gone from a positive \$11.9 million in 2001 to a negative \$37.0 million in 2005. That is a difference of \$48.9 million in just four years. That difference reflects the magnitude of the additional burden placed on students and their families by the withdrawal of state support. Even with these reductions in state support,

Wright State has continued to assess lower than average tuition and fees in recent years and as a result continues to hold its rank of fourth lowest (out of 13) of the four-year public institutions with respect to student tuition rates. It should be noted that two of the lower three universities receive special state funding that Wright State does not receive.

Below is a graphic illustration of revenues by source for the year ended June 30, 2005.



*State appropriations* were \$93.1 million in 2005, an increase of \$1.4 million from \$91.7 million in 2004. OhioLINK alone provided a \$3.2 million increase in state appropriations from 2004 to 2005. Without that increase, state appropriations actually decreased \$1.8 million. State appropriations were \$92.3 million in 2003. State funding is in general a function of student credit hour enrollment; the university's enrollment has been growing during the most recent decade. Even so, the level of appropriations has dropped in recent years. State funding per student has dropped much more.

*Net student tuition and fees* were \$99.5 million, \$87.3 million, and \$75.8 million in 2005, 2004, and 2003, respectively which provided an increase of approximately 14 percent from 2004 to 2005 and just over 15 percent from 2003 to 2004. These increases are a result of the university's need to raise tuition greater than it would desire due to the declining levels of state appropriations. The University increased tuition for most students by an average of 9.9 percent in 2005. Also contributing to the increases in tuition and fees are increases in enrollments in both years. FTE enrollments were 14,746, 14,552, and 13,892 in 2005, 2004, and 2003, respectively, an increase of 6.1 percent over the two year period.

*Grants and contracts* increased from \$79.7 million in 2004 to \$87.9 million in 2005, an increase of \$8.2 million or 10.3 percent. 2003 was \$72.0 million. While OhioLINK was a significant portion of the 2005 increase (\$5.8 million), other grant and contract awards also continue to increase annually. This trend has been ongoing for well over a decade. OhioLINK was also the primary reason for the 2004 increase. Although the University receives state appropriations in support of this program, the majority of the revenue is received from other colleges and universities and from federal sponsors and is reported as grants and contracts.

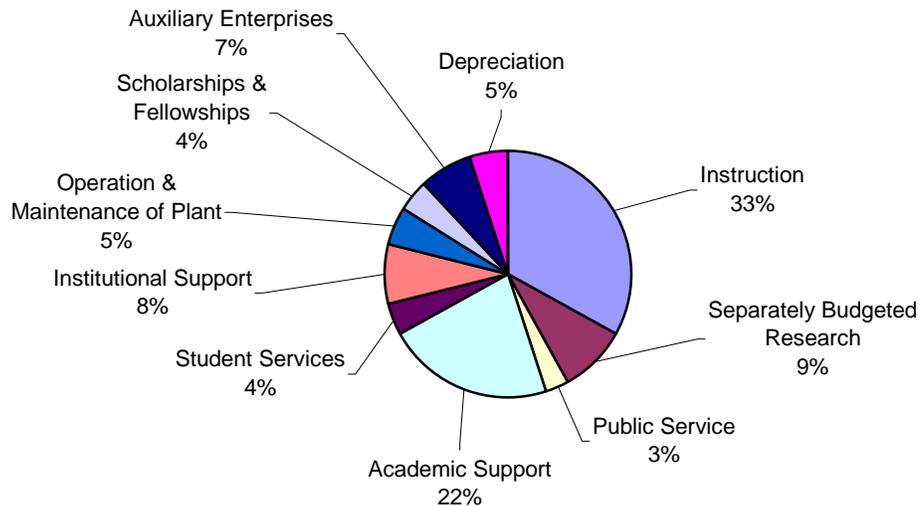
*Auxiliary revenues* decreased \$.5 million from \$14.9 million in 2004 to \$14.4 million in 2005. A combination of factors contributed to the decrease, but primary drivers included a decrease in concert business at the university's Nutter Center and a reduction in parking fines realized by the Parking and Transportation auxiliary. Auxiliary revenues were \$13.2 million in 2003. The \$1.7 million increase in 2004

over 2003 was the result of an accounting change in the structure of the university's contract with its food service contractor.

*Sales and services*, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were \$7.4 million, \$6.8 million, and \$7.1 million for the years ended June 30, 2005, 2004 and 2003, respectively. The 2005 increase was made up of increases in revenues from numerous activities such as conferences, departmental sales of supplies to students, clinical income from the School of Medicine, and other revenues of this nature.

*Investment income* was \$5.0 million, \$3.5 million, and \$3.0 million in 2005, 2004, and 2003, respectively. The \$1.5 million increase in 2005 is due primarily to two factors. University reserves have been growing each year, and as a result the University is reaping the benefits of having a greater amount of invested assets. Partially as a response to this, the University also modified its investment policy to allocate a greater level of investments to longer term investment instruments. These two factors have enabled the University to enjoy better returns. With a need to become more self sufficient due to a lowering financial commitment by the State, the University is beginning to rely more on investment income to supplement its revenue sources.

The following is a graphic illustration of expenses by function for the year ended June 30, 2005.



Overall operating expenses were \$305.4 million in 2005 as compared to \$284.2 million and \$266.4 million in 2004 and 2003, respectively. The 2005 increase represents an increase of \$21.2 million or 7.5 percent. As in 2004, employee compensation and benefits is the largest component of the increase, increasing \$9.5 million from \$174.2 million in 2004 to \$183.7 million in 2005. This represents a 5.5 percent increase in 2005 from 2004. Routine compensation increases coupled with continuing double digit benefit cost increases caused the increase. Scholarship and fellowship awards increased \$1.0 million in response to the increase in student tuition costs and the desire to have awards keep pace with these rising costs.

As previously discussed, OhioLINK expenditures increased significantly in 2005, due to the volume of participation and the increased number and amount of license agreements. The 2005 increase alone was \$9.0 million. From 2002 to 2005 OhioLINK expenditures have almost doubled from \$17.6 million to \$34.2 million and now account for over 11 percent of total operating expenses. Operating expenses increased \$17.8 million in 2004 over 2003, \$14.3 million the result of salary and benefit increases.

After deducting restricted sponsored activity (externally funded gifts and awards, including OhioLINK) from total operating expenses in each of the last four fiscal years 2002 through 2005, spending per

student FTE has only increased approximately 4.2 percent in three years. We believe that is a function of prudent fiscal management as well as the benefit of a growing enrollment over that same time period. Nonetheless, the University believes it has been able to further its mission by providing educational excellence while simultaneously controlling costs in an effort to keep tuition as affordable as possible for its students.

### Statements of Cash Flows

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

	2005	2004	2003
	<u>(All dollar amounts in thousands)</u>		
Cash provided (used) by:			
Operating activities	\$ (87,505)	\$ (77,859)	\$ (81,591)
Noncapital financing activities	97,913	96,089	97,076
Capital and related financing activities	20,751	(15,337)	(2,540)
Investing activities	<u>(7,861)</u>	<u>(7,497)</u>	<u>(223)</u>
Net increase in cash and cash equivalents	23,298	(4,604)	12,722
Cash and cash equivalents-beginning of year	<u>42,276</u>	<u>46,880</u>	<u>34,158</u>
Cash and cash equivalents-end of year	<u>\$ 65,574</u>	<u>\$ 42,276</u>	<u>\$ 46,880</u>

Cash and cash equivalents increased \$23.3 million in 2005 from 2004. This is the result of unspent bond proceeds remaining at June 30, 2005 from a December 2004 bond issuance. These proceeds are planned to be spent over the next two fiscal years. The effect of the bond issuance can be seen in the table above as capital and related financing activities increased by \$36.1 million from 2004 to 2005. Cash flows from operating activities decreased \$9.6 million as a result of the increases in operating expenses as described earlier offset somewhat by the increase in student tuition and fees. In addition, cash flows from the OhioLINK program decreased approximately \$4.5 million due to the timing of the revenues and expenditures in both 2005 and 2004. The change in cash and cash equivalents in 2004 from 2003 is the result of more funds being invested in investments as opposed to cash in 2004 as compared to 2003. In addition, the decrease in capital and related financing activities is the result of a 2003 bond issuance that provided an additional \$7.0 million of proceeds and an additional \$3.0 million of State capital funding in 2003.

### Capital Assets and Debt

#### *Capital Assets*

The University had approximately \$228.6 million invested in capital assets, net of accumulated depreciation of \$169.5 million at June 30, 2005. Capital assets were \$227.3 million, net of accumulated depreciation of \$158.3 million at June 30, 2004. Depreciation expense for the years ended June 30, 2005 and 2004 was \$14.1 million and \$14.0 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2005	2004	2003
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	\$ 22,906	\$ 20,081	\$ 20,618
Buildings	162,503	167,146	166,496
Machinery and equipment	22,981	21,104	17,125
Library books and publications	18,673	18,926	19,188
Construction in progress	1,578		1,733
Total capital assets - net	<u>\$ 228,641</u>	<u>\$ 227,257</u>	<u>\$ 225,160</u>

The University performed some routine, annual maintenance of its facilities during 2005 in the form of electrical infrastructure, upkeep of buildings, and maintenance of its roads and parking lots. The University also continued with the implementation of its ERP suite of administrative software and capitalized another \$2.6 million in 2005 for a total of \$6.6 million. The total project cost is expected to be \$15 million. In addition, the University began preliminary planning and construction activity on several projects that will be performed over the next several fiscal years. This is reflected in the construction in progress. These projects will include the expansion and renovation of science labs, renovation of the Student Union, creation of space for a world-class center focused on research, development and commercialization of information technology, renovation of the Frederick A. White Center, and further construction of parking lots and road improvements. These projects will be financed through a number of sources including debt financings, private donations, and university funding. 2004 activity included capitalizing \$4.0 million for the ERP software, completion of an electrical substation at \$1.2 million, and completing a renovation project for student apartments at \$1.0 million.

#### *Debt*

The University issued \$31.4 million in general receipts bonds in December 2004 at a premium of \$.9 million for a total issue of \$32.3 million. The average coupon rate on these bonds is 4.42 percent and the effective interest rate is 4.03 percent. The bonds were issued to finance in whole or in part the renovation and expansion of science facilities and laboratories, renovation of the Student Union and Frederick A. White Center, construction of various parking and road improvements, and the purchase and installation of an administrative software system. The University received a bond rating for this issue from Moody's Investors Service of A2. New bonds were also issued in 2003 in the amount of \$16.9 million, \$9.1 million of which was used to refund two earlier bond issuances.

Outstanding debt was \$46.2 million, \$16.5 million, and \$18.6 million at June 30, 2005, 2004, and 2003, respectively. The 2005 balance of \$46.2 million includes \$45.4 million of outstanding bonds (\$31.8 million Series 2004 and \$13.6 Series 2003) and equipment leases of \$.8 million.

#### **Economic Factors That Will Affect the Future**

Management is proud that it continues to build a solid financial foundation upon which to continue its mission, but also remains concerned that a continuing erosion of state support is placing a growing burden on students and their families. While aggressive management and continuing enrollment growth have allowed us to control our per student expenditures, we now find that our enrollment growth is slowing and we need to make targeted investments to serve our larger student body more effectively. Management is pursuing new cost savings initiatives for fiscal year 2006, but it is also facing rising energy costs and the need to make additional investments in its strategic plan. In the absence of any restoration of state funding cuts, pressure on tuition will continue to grow. But Ohio's economy has not been strong, in part because it failed to make the investments in past years to prepare its people for global competition in a knowledge economy. Now, poor economic performance reflected in state tax collections makes those investments even more difficult in the future. Management is attempting to respond to this trend by growing university reserves to create a permanent stream of investment revenue that might partially offset declining state support. The University modified its investment policy during 2005 with this goal in mind.

The University also struggles with its decisions to raise tuition to the magnitude that has been necessary in recent years. With less future reliance on State funding becoming evident, providing a solid financial foundation and finding alternate sources of income will lessen the future magnitude of tuition increases. This is why management continues to be so pleased with the success of its fundraising campaign that is nearing its conclusion. This campaign will help support scholarships, faculty development programs, and facility improvements. In just this most recent fiscal year, contributions and pledges increased nearly \$37 million (\$28.5 million from one donor), which increased the total campaign by 66 percent. It will take these types of successes as well as careful, prudent management to overcome the financial challenges that public higher education faces in Ohio. We continue to work with the State in various forums to emphasize the importance of public funding for higher education as an essential investment in the state's future.

The University continues to be faced with the need to invest in its aging facilities. It is a constant challenge in the capital planning process to determine how various projects are going to be funded. More and more, the University is funding capital needs with operating funds and bond financings that must be retired with operating funds. In 2005, the University had a bond issuance for the second time in three years. While this was done in a thoughtful and prudent manner, the need to issue the same levels of debt probably would not have existed even a decade ago. State capital funding has declined even more rapidly than the state's support for operating expenditures.

Even with these continued challenges that exist, we believe that we have been progressing in a financially sound manner that will position us to continue offering the instructional and research programs that will meet the needs of our students and our community. Our track record has been positive, and we believe we have the plans in place to continue down this successful path that will lead to an even brighter future.

### Report of Independent Auditors

To The Board of Trustees  
of Wright State University:

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses, and changes in net assets and cash flows present fairly, in all material respects, the financial position of Wright State University (the "University"), a component unit of the State of Ohio, at June 30, 2005 and 2004, and its revenues and 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 12 is not a required part of the 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.

As described in Note 1, the University adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 40, *Deposit and investment Risk Disclosures*, an amendment of GASB Statement No.3, effective July 1, 2004.



In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2005. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Price Waterhouse Coopers LLP

Dayton, Ohio  
September 30, 2005

**WRIGHT STATE UNIVERSITY**  
**Statements of Net Assets**  
**June 30, 2005 and 2004**

ASSETS	2005		2004	
	University	Foundation	University	Foundation
Current assets:				
Cash and cash equivalents	\$ 40,449,695	\$ 2,246,678	\$ 42,275,915	\$ 1,478,940
Short-term investments	6,741,695		8,820,497	
Accounts receivable (net of allowance for doubtful accounts of \$840,000 in 2005 and \$780,000 in 2004 - Note 3)	21,930,741		19,179,701	
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$200 in 2005 and \$9,500 in 2004)		4,036,296		4,808,163
Loans receivable (net of allowance for doubtful loans of \$1,600,000 in 2005 and \$1,582,000 in 2004)	3,125,141		3,016,789	
Inventories	784,777		768,646	
Prepaid expenses	7,431,664		10,967,607	
Deferred charges	4,032,236		4,111,595	
Total current assets	84,495,949	6,282,974	89,140,750	6,287,103
Noncurrent assets:				
Restricted cash and cash equivalents	25,124,439			
Restricted investments	929,228			
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$15,100 in 2005 and \$11,000 in 2004)		8,318,604		6,854,337
Loans receivable (net of allowance for doubtful loans of \$170,000 in 2005 and \$163,000 in 2004)	16,816,569		16,161,851	
Other assets	5,960,572	290,751	1,029,227	215,884
Other long-term investments	70,317,642	81,783,150	57,735,280	47,375,851
Capital assets, net (Note 4)	228,640,829	650,000	227,256,452	650,000
Total noncurrent assets	347,789,279	91,042,505	302,182,810	55,096,072
<b>Total assets</b>	<b>\$ 432,285,228</b>	<b>\$ 97,325,479</b>	<b>\$ 391,323,560</b>	<b>\$ 61,383,175</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable trade and other	\$ 9,945,829	\$ 25,992	\$ 9,704,908	\$ 97,311
Accounts payable to Wright State University		1,288,630		787,877
Accrued liabilities	10,592,741		9,821,284	
Deferred revenue (Note 1)	34,896,202		38,813,418	
Refunds and other liabilities	415,478	1,163,972	442,962	1,064,739
Current portion of long-term liabilities (Note 5)	9,076,137	1,066,662	7,178,121	1,162,150
Total current liabilities	64,926,387	3,545,256	65,960,693	3,112,077
Noncurrent liabilities:				
Long-term liabilities (Note 5)	51,113,683	253,238	22,406,000	247,950
Total noncurrent liabilities	51,113,683	253,238	22,406,000	247,950
<b>Total liabilities</b>	116,040,070	3,798,494	88,366,693	3,360,027
Net assets:				
Invested in capital assets, net of related debt	206,593,815	650,000	210,772,331	650,000
Restricted - nonexpendable:				
Instruction and departmental research		14,394,309		13,572,515
Separately budgeted research	357,337	339,229	357,337	84,228
Public service		161,899		161,749
Academic support		444,015		444,005
Student services		10,000		10,000
Scholarships and fellowships	1,003,500	8,925,165	1,003,500	8,582,206
Auxiliaries		59,521		58,766
Other	3,044		3,044	
Restricted - expendable:				
Instruction and departmental research	124,086	40,312,716	177,195	10,214,766
Separately budgeted research	1,739,012	2,734,648	1,807,629	4,167,908
Public service		627,797	1,385	930,709
Academic support		1,503,906		1,156,346
Student services		90,370		93,038
Institutional support		3,466,609		2,647,143
Plant operation and maintenance		3,199,567		40,411
Scholarships and fellowships	892,581	14,296,497	790,568	13,402,080
Loans	17,989,166		17,096,289	
Debt service	212,846		272,597	
Auxiliaries		754,112		752,057
Other		51,250	5,262	65,419
Unrestricted	87,329,771	1,505,375	70,669,730	989,802
Total net assets	316,245,158	93,526,985	302,956,867	58,023,148
<b>Total liabilities and net assets</b>	<b>\$ 432,285,228</b>	<b>\$ 97,325,479</b>	<b>\$ 391,323,560</b>	<b>\$ 61,383,175</b>

See Accompanying Notes to Financial Statements

**WRIGHT STATE UNIVERSITY**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>		<u>2004</u>	
	<u>University</u>	<u>Foundation</u>	<u>University</u>	<u>Foundation</u>
<b>OPERATING REVENUES</b>				
Student tuition and fees (net of scholarship allowances of \$22,180,000 in 2005 and \$20,677,000 in 2004)	\$ 99,537,222	\$	\$ 87,295,107	\$
Federal grants and contracts	40,737,276		40,286,351	
State grants and contracts	7,077,822		6,126,816	
Local grants and contracts	393,370		577,123	
Nongovernmental grants and contracts	39,645,487		32,666,343	
Sales and services	7,429,022		6,828,099	
Auxiliary enterprises sales (net of scholarship allowances of \$1,552,000 in 2005 and \$1,409,000 in 2004)	14,444,110		14,871,000	
Gifts and contributions		36,384,024		12,710,489
Other operating revenues	<u>1,745,670</u>		<u>1,784,869</u>	
<b>Total operating revenues</b>	<b><u>211,009,979</u></b>	<b><u>36,384,024</u></b>	<b><u>190,435,708</u></b>	<b><u>12,710,489</u></b>
<b>OPERATING EXPENSES</b>				
Educational and general:				
Instruction and departmental research	101,791,470		96,809,086	
Separately budgeted research	27,075,511		24,287,690	
Public service	8,096,329		10,491,213	
Academic support	66,468,446		55,978,758	
Student services	13,442,514		12,312,121	
Institutional support	25,228,720	506,287	21,516,408	372,230
Operation and maintenance of plant	14,230,982		15,447,693	
Scholarships and fellowships	<u>12,343,062</u>		<u>11,404,292</u>	
Total educational and general	268,677,034	506,287	248,247,261	372,230
Auxiliary enterprises	22,631,270		22,024,035	
Depreciation	<u>14,125,353</u>		<u>13,955,400</u>	
<b>Total operating expenses</b>	<b><u>305,433,657</u></b>	<b><u>506,287</u></b>	<b><u>284,226,696</u></b>	<b><u>372,230</u></b>
<b>Operating (loss)</b>	(94,423,678)	35,877,737	(93,790,988)	12,338,259
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations	93,098,926		91,725,182	
Gifts	5,223,690		4,969,631	
Investment income (net of investment expenses of \$213,000 in 2005 and \$210,000 in 2004 for WSU and \$94,152 in 2005 and \$71,874 in 2004 for Foundation)	4,966,601	4,984,463	3,564,891	5,830,753
Interest on capital asset-related debt	(1,057,776)		(656,888)	
Payments to Wright State University		(5,358,363)		(4,750,719)
Other nonoperating revenues (expenses)	<u>1,686</u>		<u>(12,704)</u>	
Net nonoperating revenues before capital appropriations and capital grants	102,233,127	(373,900)	99,590,112	1,080,034
Capital appropriations from the State of Ohio	4,677,609		3,446,541	
Capital grants	801,233		1,029,216	
<b>Total nonoperating revenues (net)</b>	<b><u>107,711,969</u></b>	<b><u>(373,900)</u></b>	<b><u>104,065,869</u></b>	<b><u>1,080,034</u></b>
<b>Increase in net assets</b>	<b>13,288,291</b>	<b>35,503,837</b>	<b>10,274,881</b>	<b>13,418,293</b>
<b>NET ASSETS</b>				
Net assets - beginning of year	<u>302,956,867</u>	<u>58,023,148</u>	<u>292,681,986</u>	<u>44,604,855</u>
<b>Net assets - end of year</b>	<b><u>\$ 316,245,158</u></b>	<b><u>\$ 93,526,985</u></b>	<b><u>\$ 302,956,867</u></b>	<b><u>\$ 58,023,148</u></b>

See Accompanying Notes to Financial Statements

**WRIGHT STATE UNIVERSITY**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2005 and 2004**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2005</u>	<u>2004</u>
Student tuition and fees	\$ 99,783,102	\$ 87,711,566
Federal, state, local, and nongovernmental grants and contracts	83,727,792	81,767,286
Sales and services of educational and other departmental activities	7,445,420	7,703,613
Payments to employees	(145,300,030)	(137,743,096)
Payments for benefits	(37,623,731)	(35,649,718)
Payments to suppliers	(96,463,877)	(83,211,201)
Payments for scholarships and fellowships	(12,760,886)	(12,244,783)
Student loans issued	(4,786,168)	(4,911,789)
Student loans collected	4,023,097	3,494,366
Student loan interest and fees collected	327,283	319,246
Auxiliary enterprise sales	14,122,645	14,905,222
	<hr/>	<hr/>
<b>Net cash (used) by operating activities</b>	<b>(87,505,353)</b>	<b>(77,859,288)</b>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	93,098,926	91,725,182
Gifts	4,814,419	4,363,638
	<hr/>	<hr/>
<b>Net cash provided by noncapital financing activities</b>	<b>97,913,345</b>	<b>96,088,820</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations from the State of Ohio	3,051,097	3,446,541
Capital grants received	801,233	1,029,216
Purchases of capital assets	(11,819,887)	(17,325,153)
Sales of capital assets	70,320	255,819
Proceeds from capital debt	32,299,216	
Principal paid on capital debt and leases	(2,593,517)	(2,086,202)
Interest paid on capital debt and leases	(1,057,776)	(656,888)
	<hr/>	<hr/>
<b>Net cash provided/(used) in capital and related financing activities</b>	<b>20,750,686</b>	<b>(15,336,667)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	78,356,127	90,928,910
Interest on investments	3,555,220	1,854,979
Purchase of investments	(89,771,806)	(100,281,235)
	<hr/>	<hr/>
<b>Net cash (used) in investing activities</b>	<b>(7,860,459)</b>	<b>(7,497,346)</b>
 <b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		
	<b>23,298,219</b>	<b>(4,604,481)</b>
 Cash and Cash Equivalents - Beginning of Year		
	<hr/>	<hr/>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 65,574,134</b>	<b>\$ 42,275,915</b>
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

**WRIGHT STATE UNIVERSITY**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2005 and 2004**

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

	<u>2005</u>	<u>2004</u>
Operating loss	\$ (94,423,678)	\$ (93,790,988)
Depreciation	14,125,353	13,955,400
Change to allowance for doubtful accounts	60,000	150,000
Change to allowance for doubtful loans	25,000	48,000
Changes in assets and liabilities:		
Accounts receivable	(1,078,866)	(3,167,909)
Inventory	(16,131)	(20,332)
Prepaid expenses	2,717,415	(339,618)
Deferred charges	79,359	(432,906)
Other assets	(4,931,345)	1,764,210
Accounts payable	(1,001,147)	(1,264,954)
Accrued liabilities	771,457	(371,058)
Deferred revenue	(3,917,216)	6,454,756
Compensated absences	900,000	700,000
Refunds and other liabilities	(27,484)	(78,468)
Loans to students and employees	(788,070)	(1,465,421)
<b>Net cash (used) by operating activities</b>	<b><u>\$ (87,505,353)</u></b>	<b><u>\$ (77,859,288)</u></b>

See Accompanying Notes to Financial Statements

# WRIGHT STATE UNIVERSITY

## Notes to Financial Statements

Year Ended June 30, 2005

### (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 17,000 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, and amended by GASB Statement No. 39. GASB Statement No. 39 was issued in May 2002, effective for the University for the year ended June 30, 2004. As an amendment to Statement No. 14, Statement No. 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (Foundation) is a legally separate not-for-profit, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. The Financial Accounting Standards Board is the accepted standards setting body for establishing accounting and reporting principles for not-for-profit entities. Only selected footnote disclosures are included regarding the Foundation. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation, 108J Allyn Hall, 3640 Colonel Glenn Highway, Dayton, OH 45435.

The financial statements have been prepared in accordance with generally accepted accounting principles for colleges and universities within the United States of America, 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.

##### Recent Pronouncements

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement requires certain disclosures of investments that have fair values that are highly

Wright State University

Notes to Financial Statements  
(Continued)

sensitive to changes in interest rate risk and was adopted for the current year ended June 30, 2005.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The University will be evaluating the impact that the adoption of this statement will have on its financial statements.

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, 2005, which settle after such date. Realized and unrealized gains and losses are reported as investment income or loss.

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, 2005 and 2004 there was approximately \$2,758,000 and \$2,720,000, 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 Statements 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.

## Wright State University

### Notes to Financial Statements (Continued)

#### 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 \$22.6 million and \$10.8 million, respectively, for the year ended June 30, 2005 and \$27.3 million and \$9.9 million, respectively, for the year ended June 30, 2004.

#### 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 is 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 purposes. Unrestricted represents net assets that are not subject to external restrictions. Management or the Board of Trustees designates most of the 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

Wright State University  
Notes to Financial Statements  
(Continued)

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 2004 comparative information to conform to the 2005 presentation.

(2) Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, the university's deposits must be secured by federal deposit insurance and collateralized for amounts in excess of FDIC coverage. Collateral may be pledged or pooled. Pooled collateral may be held on the financial institution's premises or held by its trust department or agent on its behalf. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal one hundred five percent of the total amount of public deposits to be secured by the pooled securities. These securities may be held in the name of the University or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. The University does not have a deposit policy for custodial credit risk.

As of June 30, 2005 and 2004, the university's bank balances are \$71,564,465 and \$41,356,761, respectively. Of these balances, \$70,113,383 and \$37,973,729, respectively, are uninsured with collateral held by pledging banks not in the university's name.

Wright State University  
Notes to Financial Statements  
(Continued)

At June 30, the carrying amount of deposits (book balances) is as follows:

	2005		2004
Petty cash	\$ 70,422	\$	74,602
Demand deposits	63,301,420		33,951,582
Certificate of deposit	2,822,753		2,691,704
Money market funds	1,765,667		2,914,957
Total	\$ 67,960,262	\$	39,632,845

The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand.

Investments

The university's investment policy permits investments in publicly traded securities only. In addition, an amount equal to at least twenty five percent of the university's investment portfolio must at all times be invested in securities of the United States government or one of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system.

The fair value of investments at June 30 is as follows:

Description	Fair Value	
	2005	2004
U.S. Treasury securities	\$ 12,924,407	\$ 13,358,340
U.S. Agency securities	8,199,628	13,239,673
Equity mutual funds	41,048,884	9,595,169
Corporate bonds and notes	9,432,441	14,888,969
Bond mutual funds	2,248,744	1,753,721
State Treasury Asset Reserve of Ohio	1,365,853	5,334,775
Common and preferred stock	379,280	11,025,000
Other	3,200	3,200
Total	\$ 75,602,437	\$ 69,198,847

Interest Rate Risk The university's investment policy minimizes the risk of the loss of value due to changing interest rates, through the use of target durations for each of the university's investment pools. The Cash Pool is maintained to meet the daily obligations of the University and consists of highly liquid instruments with little to no risk of loss of principal. The maximum weighted average maturity for the Cash Pool is less than one year. The Liquidity Pool provides a source of funds in the event the Cash Pool is insufficient to meet the university's cash needs and maintains a weighted average life of less than five years. The Diversified Investment Pool provides the

Wright State University

Notes to Financial Statements  
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University an opportunity to earn a higher rate of return through investments with longer durations. Equity managers are limited to a beta (volatility) of no more than 1.2 – 1.4 times the relevant benchmark. Duration for fixed income managed accounts must be within twenty percent of that of the Lehman Brothers Aggregate Bond Index.

The maturity of university investments at June 30 is as follows:

Investment Type	2005 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 12,924,407	\$ 2,097,200	\$ 8,569,497	\$ 1,396,310	\$ 861,400
U.S. Agency securities	8,199,628	924,430	3,010,613		4,264,585
Corporate bonds and notes	9,432,441	897,318	4,707,129	1,839,001	1,988,993
Bond mutual funds	2,248,744		2,248,744		
Total	<u>\$ 32,805,220</u>	<u>\$ 3,918,948</u>	<u>\$ 18,535,983</u>	<u>\$ 3,235,311</u>	<u>\$ 7,114,978</u>

Investment Type	2004 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 13,358,340	\$ 3,683,466	\$ 7,833,754	\$ 348,629	\$ 1,492,491
U.S. Agency securities	13,239,673	1,207,487	6,047,841	133,244	5,851,101
Corporate bonds and notes	14,888,969	1,555,010	8,766,330	2,449,483	2,118,146
Bond mutual funds	1,753,721		1,753,721		
Total	<u>\$ 43,240,703</u>	<u>\$ 6,445,963</u>	<u>\$ 24,401,646</u>	<u>\$ 2,931,356</u>	<u>\$ 9,461,738</u>

The University invests in mortgage pass-through securities issued by FNMA, GNMA and FHLMC which are included above in the amounts listed as U.S. Agency Securities. Prepayment options embedded in these securities cause them to be highly sensitive to interest rate changes. Generally when interest rates fall, more mortgages are prepaid. This eliminates the interest income that would have been received under the original amortization schedule. As of June 30, 2005 and 2004, the total value of mortgage pass-through securities is \$4,234,713 and \$5,792,055, respectively.

**Credit Risk** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The university's investment policy limits exposure to credit risk by limiting purchases of fixed income securities to no lower than AA for the Cash Pool accounts and no lower than BBB for the Liquidity Pool accounts. At least fifty percent of the Cash Pool must be invested in U.S. Treasuries or Agencies. In addition, maximum exposure to high yield bonds cannot exceed fifteen percent of a Diversified Investment Pool Fixed Income account. All Commercial Paper must have a minimum rating of A1/B1.

Wright State University

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(Continued)

The university's credit risk at June 30 is as follows:

2005

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Bond Mutual Funds	State Treasury Asset Reserve (STAROhio)
AAA/Aaa	\$ 25,077,635	\$ 12,924,407	\$ 8,199,628	\$ 2,587,747		\$ 1,365,853
AA/Aaa	3,113,496			1,114,888	1,998,608	
A	3,816,228			3,816,228		
BBB/Baa	1,401,249			1,401,249		
BB/Ba	600,450			350,314	250,136	
B	162,015			162,015		
Total	<u>\$ 34,171,073</u>	<u>\$ 12,924,407</u>	<u>\$ 8,199,628</u>	<u>\$ 9,432,441</u>	<u>\$ 2,248,744</u>	<u>\$ 1,365,853</u>

2004

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Bond Mutual Funds	State Treasury Asset Reserve (STAROhio)
AAA/Aaa	\$ 34,949,678	\$ 13,358,340	\$ 13,239,673	\$ 3,016,890		\$ 5,334,775
AA/Aaa	1,614,648			1,614,648		
A	5,735,569			5,735,569		
BBB/Baa	4,104,632			4,104,632		
BB/Ba	2,170,951			417,230	1,753,721	
Total	<u>\$ 48,575,478</u>	<u>\$ 13,358,340</u>	<u>\$ 13,239,673</u>	<u>\$ 14,888,969</u>	<u>\$ 1,753,721</u>	<u>\$ 5,334,775</u>

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2005 and 2004, \$14,706,261 and \$23,226,028, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University.

The university's investment policy minimizes custodial credit risk by limiting the amount invested in any bank certificate of deposit unless the investments are fully collateralized by U.S. Treasury or Agency securities. In addition, bank certificates of deposit and bankers' acceptances must be issued by members of the Federal Deposit Insurance Corporation.

Concentration of Credit Risk Concentration of credit risk is the risk associated with a lack of diversification. It is the risk of loss attributed to the magnitude of the university's investment in a single issuer. Investment managers are required by the investment policy to limit exposure for any one single issue to no more than five percent of the portfolio, at cost. This limit does not

Wright State University

Notes to Financial Statements  
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apply to investments in U.S. Government Securities. Equity and fixed income managers are required to limit exposure to any one economic sector to forty percent of the portfolio. Cash Pool managers must limit commercial paper in any one issuer to no more than five percent of the manager's portfolio.

As of June 30, 2005 and 2004, the university's portfolio includes one issuer that exceeds five percent of the university's total investments. The University holds \$4,955,094 in various Federal National Mortgage Association (FNMA) issues which represent 6.55 percent of the university's total investments at June 30, 2005. Comparatively at June 30, 2004, the University holds \$7,491,650 various FNMA issues which represent 10.83 percent of total investments.

Foreign Currency Risk Foreign currency risk relates to the possible adverse effects that changes in exchange rates can have on the fair value of investments. According to the university's investment policy, international managers are expected to maintain an appropriate diversification with respect to currency and country exposure. All other managers are not permitted to invest in non-dollar denominated securities.

At June 30, 2005 and 2004, the University holds investments in foreign mutual funds of \$8,980,793 and \$4,898,676 respectfully. In addition, foreign currency exposure at June 30 includes the following:

Investment	Currency	Fair Value		Rating
		2005	2004	
Brazil Government Bond	Brazil Reais	\$ 162,015	\$	B
Canada Government Bond	Canada Dollar	65,142	76,171	AAA
Columbia Government Bond	Columbia Pesos	18,240		BB
Finland Government Bond	Finland Markkaa		15,058	AAA
France Corporate Bond	France Francs		17,382	Baa
Japan Government Bond	Japan Yen	289,721		A
Mexico Government Bond	Mexico Pesos		74,975	BBB
Norway Government Bond	Norway Kroner	65,534		AAA
Panama Government Bond	Panama Balboa	82,580		BB
Total		\$ 683,232	\$ 183,586	

The university's investment policy dictates no more than fifteen percent of the diversified investment pool fixed income account shall be invested in non-dollar denominated bonds. The above mentioned bonds represent less than five percent of the diversified investment pool as of June 30, 2005 and 2004.

Series 2004 Bond Proceeds In December 2004, the University issued \$31,335,000 General Receipt Bonds to fund various capital projects. As of June 30, 2005, \$26,052,395 of the proceeds remains unspent. Of this amount, \$25,124,439 is considered restricted cash and is included in the demand deposit balance of \$63,301,420. On July 1, 2005, the University finalized a Bond Market Association Master Repurchase Agreement with Citigroup Global Markets, Inc. in the amount of \$25,124,439. The Bank of New York acts as custodian for this agreement. As provided in the bond indenture, bond proceeds are invested in domestic or foreign banks with a rating of at least A- by S&P and A3 by Moody's and must be collateralized with direct obligations

Wright State University

Notes to Financial Statements  
(Continued)

of the United States or other instrumentalities fully guaranteed by the United States. The value of the collateral must be 104 percent; or if the securities used as collateral are FNMA or FHLMC, the value of the collateral must equal 105 percent of the assets.

The remaining bond proceeds of \$927,956 are held in a bond trust account with JPMorganChase in an institutional money market trust. These funds, in addition to small balances held in other JPMorganChase trust accounts for the payment of Series 2003 and 2004 bond interest payments, equal \$929,228 and are classified as restricted investments at June 30, 2005. This amount is included in the money market funds total of \$1,765,667.

Investment Income The composition of investment income is as follows:

	Year Ended June 30	
	2005	2004
Net interest and dividend income	\$ 3,062,644	\$ 2,322,090
Realized gains/(losses) on sales	512,527	(351,519)
Unrealized gains in fair value	1,391,430	1,594,320
Total	\$ <u>4,966,601</u>	\$ <u>3,564,891</u>

(3) Accounts Receivable

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

	2005	2004
Sponsor receivables	\$ 9,903,742	\$ 10,609,886
Student accounts	7,805,023	6,996,295
Wright State University Foundation	1,288,630	787,877
Investment trade receivables	187,142	123,517
Interest receivable	250,614	514,460
State appropriations	2,377,090	
Other, primarily departmental sales and services	958,500	927,666
Total	22,770,741	19,959,701
Less: Allowance for doubtful accounts	840,000	780,000
Net accounts receivable	\$ <u>21,930,741</u>	\$ <u>19,179,701</u>

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Notes to Financial Statements  
(Continued)

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is summarized as follows:

	<u>Balance</u> <u>07/01/2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/2005</u>
Land	\$ 3,049,830	\$	\$	\$ 3,049,830
Land improvements and infrastructure	23,827,085	3,598,268		27,425,353
Buildings	254,122,592	1,745,851		255,868,443
Machinery and equipment	55,478,755	6,627,451	(2,475,563)	59,630,643
Library books and publications	49,092,113	2,028,491	(533,702)	50,586,902
Construction in progress		<u>1,578,304</u>		<u>1,578,304</u>
<b>Total</b>	<b>\$ 385,570,375</b>	<b>\$ 15,578,365</b>	<b>\$ (3,009,265)</b>	<b>\$ 398,139,475</b>
Less accumulated depreciation:				
Land improvements and infrastructure	6,795,974	773,886		7,569,860
Buildings	86,976,845	6,388,461		93,365,306
Machinery and equipment	34,375,056	4,681,697	(2,406,928)	36,649,825
Library books and publications	30,166,048	2,281,309	(533,702)	31,913,655
<b>Total accumulated depreciation</b>	<b><u>158,313,923</u></b>	<b><u>14,125,353</u></b>	<b><u>(2,940,630)</u></b>	<b><u>169,498,646</u></b>
<b>Capital assets, net</b>	<b>\$ <u>227,256,452</u></b>	<b>\$ <u>1,453,012</u></b>	<b>\$ <u>(68,635)</u></b>	<b>\$ <u>228,640,829</u></b>

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, 2005 is summarized as follows:

	Beginning Balance 7/1/2004	Additions	Principal Repayments/ Reductions	Ending Balance 6/30/2005	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 15,329,286	\$ 32,299,216	\$ 2,222,569	\$ 45,405,933	\$ 3,439,648
Equipment leases	<u>1,154,835</u>	<u>                    </u>	<u>370,948</u>	<u>783,887</u>	<u>236,489</u>
Total bonds and equipment leases	\$ 16,484,121	\$ 32,299,216	\$ 2,593,517	\$ 46,189,820	\$ 3,676,137
Other liabilities:					
Compensated absences	13,100,000	6,629,350	5,729,350	14,000,000	5,400,000
Total other liabilities	<u>13,100,000</u>	<u>6,629,350</u>	<u>5,729,350</u>	<u>14,000,000</u>	<u>5,400,000</u>
Total long-term liabilities	<u>\$ 29,584,121</u>	<u>\$ 38,928,566</u>	<u>\$ 8,322,867</u>	<u>\$ 60,189,820</u>	<u>\$ 9,076,137</u>

Bonds payable on June 30, 2005 consist of Series 2003 and 2004 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2005 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2005-2023	3.00% - 5.00%	\$ 13,130,000	\$ 492,113	\$ 13,622,113
Series 2004	2005-2029	2.50% - 5.00%	<u>30,835,000</u>	<u>948,820</u>	<u>31,783,820</u>
Total bonds payable			43,965,000	1,440,933	45,405,933
Equipment lease purchase obligations	2005-2009	2.50% - 4.55%	<u>783,887</u>	<u>                    </u>	<u>783,887</u>
		Total	<u>\$ 44,748,887</u>	<u>\$ 1,440,933</u>	<u>\$ 46,189,820</u>

Wright State University  
Notes to Financial Statements  
(Continued)

The scheduled maturities of capital activities for the next five years and for the subsequent four year periods are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 3,561,489	\$ 1,798,266	\$ 5,359,755
2007	3,656,532	1,679,956	5,336,488
2008	3,766,359	1,553,142	5,319,501
2009	3,714,507	1,437,612	5,152,119
2010	3,710,000	1,309,638	5,019,638
2011-2015	11,995,000	4,715,712	16,710,712
2016-2020	6,990,000	2,752,987	9,742,987
2021-2025	4,210,000	1,319,125	5,529,125
2026-2029	3,145,000	361,575	3,506,575
Total	<u>\$ 44,748,887</u>	<u>\$ 16,928,013</u>	<u>\$ 61,676,900</u>

All general receipts of the University, except for state appropriations, are pledged for payment of the 2003 and 2004 bonds.

Interest expense incurred on indebtedness for the years ended June 30, 2005 and 2004 was \$1,057,776 and \$656,888 respectively. In 2005, interest expense on construction-related debt of \$517,646, net of \$351,323 interest earned on invested funds, was capitalized to the related capital projects. In 2004, interest expense on construction-related debt was not incurred. Therefore, interest was not capitalized that year.

The series 2004 General Receipts Bonds were issued in December 2004 in the amount of \$31,335,000. The proceeds were used to pay associated bond issuance costs and to fund the construction for the purchase and installation of an administrative software system, renovation and expansion of certain science facilities and laboratories, renovation of the Student Union and the Frederick A. White Center and constructing various parking and road improvements.

(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 Ohio Public Employees Retirement System (OPERS) or the ARP. Both STRS and OPERS 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 OPERS is provided by state statute per the Ohio Revised Code.

Both STRS and OPERS 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 OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

Plan participants are required to contribute 10 percent and 8.5 percent and the University 14.0 percent and 13.31 percent of the employees' covered compensation for STRS and OPERS,

Wright State University

Notes to Financial Statements  
(Continued)

respectively. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$7,439,443, \$7,488,699, and \$6,966,850, and to OPERS were \$6,609,430, \$6,360,369, and \$6,023,531 for the years ended June 30, 2005, 2004, and 2003 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 OPERS. 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 10 percent and 8.5 percent of employees' covered compensation for employees who would otherwise participate in STRS and OPERS, respectively. The University contributes 13.31 percent of a participating unclassified staff member's compensation to the participant's account. The university's contributions to a participating faculty member's account and to STRS is 10.5 percent and 3.5 percent of a participant's compensation, respectively. Plan participants' contributions were \$2,710,308, \$2,430,747, and \$2,053,685, and the university's contributions to the plan providers amounted to \$3,356,861, \$3,065,869, and \$2,745,302, respectively, for the years ended June 30, 2005, 2004, and 2003. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$656,623, \$573,143, and \$434,553, respectively, for the years ended June 30, 2005, 2004, and 2003.

(7) Other Postemployment Benefits (OPEB)

STRS provides access to healthcare coverage to retirees and their dependents who are not participants of the ARP. OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit who also are not participants of the ARP. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1 percent of the total 14.00 percent (see note 6), while the OPERS rate was 4 percent of the total 13.31 percent (see note 6) effective July 1, 2003.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. 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 \$3.1 billion at June 30, 2004. The number of benefit recipients eligible for OPEB was 111,853 for STRS at June 30, 2004. The amount contributed by the University to STRS to fund these benefits was \$531,389 for the year ended June 30, 2005.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. The number of OPERS active contributing participants was 369,885 for the year ended December 31, 2004. For the year ended June 30, 2005 the University contributed \$1,986,134 to OPERS for OPEB funding.

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Notes to Financial Statements  
(Continued)

(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 \$97,000,000 at June 30, 2005. Such assets relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating gifts in the accompanying financial statements.

(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, Ohio's higher education advising and coordinating board.

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 and recognized as capital appropriations. 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.

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.

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Notes to Financial Statements  
(Continued)

(10) Commitments and Contingencies

At June 30, 2005, the University is committed under contractual obligations for:

Capital expenditures	\$ 5,784,148
Non-capital goods and services	<u>5,519,650</u>
Total contractual commitments	<u>\$ 11,303,798</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 1,716,964
University funds	<u>9,586,834</u>
Total sources	<u>\$ 11,303,798</u>

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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Notes to Financial Statements  
(Continued)

Selected Notes of the Wright State University Foundation (a component unit)

(11) Summary of Significant Accounting Policies

In accord with generally accepted accounting principles as applied to not-for-profit organizations, the financial statements of the Foundation have been prepared on the accrual basis of accounting. The Financial Accounting Standards Board (FASB) is the accepted standards setting body for establishing accounting and reporting principles for not-for-profit entities. The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Pledges Receivable

Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are presented net of an allowance for doubtful collections.

Investments in Securities

Investments are stated in fair or appraised value and realized and unrealized gains and losses are reflected in the statement of activities. Market value is determined by market quotations. Donated investments are recorded at fair value at the time received.

Investment Earnings

Interest and dividends from endowment investments are credited to temporarily restricted funds and spent in compliance with donor stipulations and the Foundation's spending policy. Interest and dividends from non-endowment investments are credited to the unrestricted fund for expenditure at the discretion of the Foundation's board of trustees. Realized gains or losses are determined based on the average cost method.

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Notes to Financial Statements  
(Continued)

(12) Pledges Receivable

Pledges receivable at June 30, 2005 and 2004, by fund type, are as follows:

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Less than one year	\$ 36,870	\$ 2,620,881	\$ 1,378,745	\$ 4,036,496
One to five years	24,100	5,199,228	2,028,080	7,251,408
Gross pledges receivable	<u>60,970</u>	<u>7,820,109</u>	<u>3,406,825</u>	<u>11,287,904</u>
Present value discount	(2,370)	(352,709)	(110,425)	(465,504)
Allowance for uncollectible pledges	<u>(200)</u>	<u>(14,800)</u>	<u>(300)</u>	<u>(15,300)</u>
Pledges receivable (net)	<u><u>\$ 58,400</u></u>	<u><u>\$ 7,452,600</u></u>	<u><u>\$ 3,296,100</u></u>	<u><u>\$ 10,807,100</u></u>

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Less than one year	\$ 42,015	\$ 3,311,579	\$ 1,464,069	\$ 4,817,663
One to five years	34,600	3,389,971	2,355,950	5,780,521
Gross pledges receivable	<u>76,615</u>	<u>6,701,550</u>	<u>3,820,019</u>	<u>10,598,184</u>
Present value discount	(2,815)	(256,450)	(122,419)	(381,684)
Allowance for uncollectible pledges	<u>(500)</u>	<u>(19,000)</u>	<u>(1,000)</u>	<u>(20,500)</u>
Pledges receivable (net)	<u><u>\$ 73,300</u></u>	<u><u>\$ 6,426,100</u></u>	<u><u>\$ 3,696,600</u></u>	<u><u>\$ 10,196,000</u></u>

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 2.46 percent to 6.18 percent.

Wright State University  
Notes to Financial Statements  
(Continued)

(13) Investments in Securities

The cost and fair value of the Foundation's investments, at June 30, 2005 and 2004, are as follows:

	2005		2004	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$	\$	\$ 9,725,075	\$ 10,447,411
Mutual funds:				
Equity	51,549,101	52,034,369	12,031,062	15,980,599
Fixed income	29,033,787	28,990,583	15,316,087	15,980,480
Exchange traded funds	<u>                    </u>	<u>                    </u>	<u>3,649,642</u>	<u>4,256,395</u>
Total	<u>\$ 80,582,888</u>	<u>\$ 81,024,952</u>	<u>\$ 40,721,866</u>	<u>\$ 46,664,885</u>

Net realized gains on sales of investments were \$2,483,723 and \$583,476 for the years ended June 30, 2005 and 2004, respectively. Calculation of net realized gains on sales of investments is based on original cost.

**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER:</b>		
<b>U.S. Department of Education Direct Programs:</b>		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 358,281
National Science Scholars Program	84.242	
Federal Family Education Loans (Note B)	84.032	
Federal Work Study	84.033	903,991
Federal Perkins Loan (Note C)	84.038	
Federal Pell Grant	84.063	<u>8,926,548</u>
 Total U.S. Department of Education Direct Programs		 <u>10,188,820</u>
 <b>U.S. Department of Health and Human Services Direct Programs:</b>		
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	296,185
Financial Assistance for Disadvantaged Students (Medicine)	93.139	
Scholarships for Disadvantaged Students Program (SOPP)	93.925	<u>18,742</u>
 Total U.S. Department of Health and Human Services Direct Programs		 <u>314,927</u>
 <b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>		 <b><u>10,503,747</u></b>

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER:</b>		
<b>U.S. Department of Education, Prime -</b>		
Rehabilitation Research and Training Centers (RRTC) on Substance Abuse, Disability, and Employment	84.133B	\$ 217,253
<b>U.S. Department of Education, Subcontract -</b>		
Adapting Prevention Education for Youth with Disabilities	84.186B	73,000
The PALS Prevention Project 2004 - Prevention Education Future	84.027	61,134
Teaching American History Evaluation Plan	84.215X	23,070
Total U.S. Department of Education, Subcontract		157,204
<b>Total U.S. Department of Education</b>		<b>374,457</b>
<b>U.S. Department of Health and Human Services, Prime -</b>		
Adiposity, Disease Risk Factors, and Lifetime Health	93.865	416,435
Aging and Pilot Time-Sharing Performance	93.866	130,117
Analysis of Interactions Between Rev and Microtubules	93.859	45,402
Analysis of the Human c-myc Gene Regulation Origin	93.862	12,393
Angiotensin Receptors in Central Osmosensitivity - Supplement	93.837	111,619
Cardiovascular Disease Enhanced Dissemination and Utilization	93.837	163,600
Cell Volume Regulation in Neurons and Glia	93.853	301,987
Childhood Precursors for Adulthood Metabolic Syndrome	93.847	108,601
Crack and Health Service Use: Natural History Approach - Supplement	93.279	1,163,992
Development of Synaptic Inputs on Spinal Interneurons	93.853	373,317
Early Life Antecedents of Adult Chronic Disease	93.847	57,501
Effects of Chronic Hypercapnia on Chemosensitive Neurons	93.838	11,400
Environmental Light and Retinal Membrane Development	93.867	19,988
Evolution of Axial Specification in Caenorhabditis	93.390	3,348
Fels Database Mining	93.262	8,292
Genetic and Environmental Influences on Childhood Growth	93.865	255,672
Genetic Architecture of the Human Craniofacial Complex	93.862	50,635
Genetic Epidemiology of Aging and Body Composition	93.866	51,484
Genetic Epidemiology of Childhood Skeletal Maturation	93.865	126,946
Genetic Epidemiology of CVD Risk Factors	93.837	660,798
Genetic Regulation of Adiposity and Associated CVD Risks	93.848	538,424
Higher Order Mechanisms in Color Discrimination	93.867	27,347
Hypothalamic Role in Hypertension	93.837	65,492
Hypoxia Regulates Trophoblast Giant Cell Differentiation	93.865	62,508
Identifying Placebo Responders in Drug Treated Subjects	93.242	7,619
Intergovernmental Personnel Agreement - Demerath	12.IPA-Demerath	14,047
Intracellular pH Responses of Central Chemoreceptors	93.838	282,853
Longitudinal Cardiac Outcomes and Body Composition	93.837	528,899
MDMA/Club Drug Use and STD/HIV Sex Risk Behavior in Ohio	93.279	509,320
MdmX Regulation of the p53 Tumor Suppression Protein	93.396	166,079
Mechanisms of Cellular Taurine in Brain Edema	93.854	5,736
Mechanisms of Mammalian Neuronal Integration	93.854	71,648
Molecular Basis of Gm-Csf-Induced Neutrophil Chemotaxis	93.837	286,841
Molecular Mechanisms of Vasopressin Cytotoxicity in Inherited Diabetes Insipidus	93.847	174,005
MVPS: Health Concerns, Role Function, Health Service Use	93.361	32,174
Neurologic Resource in the Quicktime Streaming Format	93.879	30,795
Physician Obesity Awareness Program (POAP) - Supplement	93.837	14,946
Proteomics of M-L Antigens Modulating Cation Transport	93.849	158,140
Recognition and Repair of Cisplatin - DNA Damage	93.395	217,671
Reducing Barriers to Drug Abuse Treatment Services	93.279	1,031,259
Regulation of Secretory Ion Channels in Colonic Crypts	93.848	17,322
Regulation of Spinal Interneuron Input-Output Functions	93.854	292,173
Role of Angiotensin Receptors in Central Osmosensitivity	93.837	249,709

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>		
<b>U.S. Department of Health and Human Services, Prime (Continued) -</b>		
Scabies: Biology Culture Host Specificity and Antigens	93.855	\$ (196)
Sexual Maturity for U.S. Children: Relationship with Growth	93.865	231,189
Short Term Training for Minority Students (STREAMS) at Wright State University	93.837	69,735
Skin Penetration of Important Occupational Chemicals in their Pure Form	93.113	(487)
Statistical Analysis of Body Composition Risk Factors	93.865	(1,244)
Stress-Induced Sickness Behavior during Separation	93.242	72,047
Subcutaneous Fat, Blood Lipids, and Subsequent Outcome	93.865	78,152
Telomere Length as a Marker of Cardiovascular Aging	93.866	20,424
Visceral Adiposity: Genetic and Environmental Influences	93.848	308,061
Total U.S. Department of Health and Human Services, Prime		9,636,215
<b>U.S. Department of Health and Human Services, Subcontract -</b>		
Benzodiazepine-Induced Glutamate Receptor Plasticity	93.279	2,045
Cellular Responses to UV Light in Ataxia Telangiectasia	93.853	16,609
DNA Replication Fork: Pausing, Recombination, and Disease	93.849	90,388
Early Detection of Hemorrhagic Fever Virus Exposure	93.856	26,360
Effect of Interferon-Gamma Peptide Mimetics on HSV-1 Replica	93.389	1,070
Graduate Research Assistant Stipend - Sonner	93.837	17,164
Mechanisms of Muscle Sensory Recovery	93.853	19,045
Motion Detector Networks for Smooth Pursuit	93.867	56,790
Probe Assisted, PET/CT Guided Surgery for Colon Cancer	93.286	1,520
Rural Stimulant Use and Mental Health: Services and Outcome	93.279	224,308
Spinal Mechanisms Regulating Muscle and Limb Mechanics	93.853	10,731
The Epidemiology of Body Mass Index Rebound	93.837	40,693
Trial of Alendronate Disodium in Pediatric Gaucher Disease	93.103	92,566
Total U.S. Department of Health and Human Services, Subcontract		599,289
<b>Total U.S. Department of Health and Human Services</b>		10,235,504
<b>U.S. Department of Defense, Prime -</b>		
Breakfree Clip	12.300	11,096
Built in Self Test for Automatic Insertion into Mixed Signal	12.800	157,477
Cellular Mechanisms of Central Nervous System and Pulmonary	12.300	260,404
Cellular Mechanisms Oxygen Toxicity Mammalian Central Nervous	12.300	7,392
Computational Aerothermodynamics	12.800	170,478
Computational Mathematics for Determining Uncertainty Bounds	12.800	3,078
Donors, Acceptors, and Traps in A1GaN and A1GaN/GaN Epitaxial Layers	12.800	144,016
Electrical and Optical Properties of Extended Defects in GaN	12.300	66,106
Evolving Pattern Recognition Systems	12.800	104,245
Hyperbaric Atomic Force Microscopy Study Oxygen Toxicity	12.300	212,056
Hyperbaric Oxygen Treatments on Children with Cerebral Palsy	12.420	42,291
Immunological Methods and Toxicity of Depleted Uranium in Rats	12.800	38,427
Intergovernmental Personnel Agreement - Bayaktaroglu	12.IPA-Bayaktaroglu	220,775
Intergovernmental Personnel Agreement - Dilsavor	12.IPA-Dilsavor	126,513
Intergovernmental Personnel Agreement - Johnston	12.IPA-Johnston	108,516
Intergovernmental Personnel Agreement - Minardi	12.IPA-Minardi	138,342
Intergovernmental Personnel Agreement - C. Harris	12.800	161,532
Investigation of Microwave Attenuation in Plasma	12.800	93,933
Low Level Chemical Toxicity: Chem Agent Defense - Core	12.800	653,428
Magneto-Aerodynamic Actuator Simulation	12.800	72,253
Materials for High Speed Devices	12.800	551,172
Mathematical Modeling, Simulation, and Control of Physical Processes	12.800	33,030
Mathematical Investigation of Perfect Arrays	12.901	1
Molecular Mechanisms and Modeling of Skin Irritation from JP-8	12.800	102,665

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2005

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>		
<b>U.S. Department of Defense, Prime (Continued) -</b>		
Multidisciplinary Design Optimization for High Reliability and Robustness Persistent Tracking	12.300 12.800	\$ 185,469 47,990
Precision Design, Modeling, and Instrumentation in Turbomachinery	12.800	51,818
Proteomic Analysis of Cisplatin-Resistant Ovarian Cancers	12.420	151,071
Pseudonoise Sequences with Good Correlation Properties	12.901	17,439
Receiver and Processing Concepts Evaluation (RAPCEVAL)	12.800	95,184
Research and Technical Support for the Culture and Cognition Laboratory	12.800	11,193
Simulating the Interactions of Genes, Proteins, and Metabolite	12.800	58,354
Unmanned Aerial Combat Vehicles via a Virtual Testbed Environment	12.800	125,247
Video to Information: Cross-Modal Analysis of Planning Meetings	12.800	558,838
Total U.S. Department of Defense, Air Force, Prime		4,781,829
<b>U.S. Department of Defense, Subcontract -</b>		
Adaptive Structures - Based on Energy Design (ASBED)	12.800	105,653
Array Analog to Digital Converter	12.800	29,999
Broadband High Resolution Bandpass Delta Sigma Analog to Digital Converter	12.800	97,916
Biomediation of Groundwater Contaminated Chlorinated Ethenes in the Wetlands	12.800	57,163
Cell Signaling and Silk Research	12.800	14,145
Center for Advanced Nitride Electronics	12.800	(8,590)
Center of Excellence in Cellular Dynamics and Engineering	12.800	370,415
Cost of Spatial Disorientation on Air Force Aerial Operations	12.800	21,100
Custom Synthesis of Intermediates for AFX Chromophores	12.800	44,269
Detecting and Extracting Image Similarities, Differences, and Target	12.800	1,603
Developing an Agent-Based Modeling Approach for Improved Decision Support and Adaptive Planning in Support of Air Force	12.800	8,610
Distributed Multirate Multiple Model Filtering/Out-Of-Seq	12.800	1
Diverse Data Fusion, Information Theory, and Evaluation Technical	12.800	26,060
Electrochemical Deposition Ni Textured Layer - Nano Size	12.800	3,847
Electrode Design and Measurement Methods for (MHD) Flows	12.800	2,506
Elevated Temperature Electrocatalysts with Alcohol Based Fuel	12.800	21,937
Evaluation of Cushion Comfort for Air Force Crew Stations	12.800	40,389
Exploring Middle East Region to Enhance Cultural Lens Model	12.800	(1,278)
Finite Element Modeling of Human Body and Pilot Seat Interactions	12.800	12,599
Gas Turbine Engine Sensor Technologies	12.800	38,481
High Speed/Resolution Delta Sigma Analog-To-Digital Convert	12.800	(867)
Human Aspects of Sense - Respond Logistics	12.800	854
Impact Tests of Undamaged and Damaged Materials	12.800	21,961
Intelligent Distributed Group and Team Training Systems	12.630	266,054
ISAT Government SEIT Structures Reference Designs and Analytical Models	12.800	27,859
Magnetic Fields on the Flow Field in a Machine 5 Wind Tunnel	12.F33601-03-F0004	17,893
Man Made Target from SAR Range Profile Data	12.800	29,031
Mapping Cognitive Differences for Mission Enhancement	12.800	81,973
Mobile Joint Tactical Radio Systems (JTRS) for UAVs	12.800	58,863
Mobility Aircraft Availability Forecast (MAAF) Model	12.800	953
Modeling and Control Support for Pneumatic Muscle Actuator	12.800	1,785
Modeling Sortie Generation, Maintenance, Inventory Interact	12.800	23,049
Molecular Modeling of Polymeric Nanocomposite Materials	12.800	109,458
Multidisciplinary Design Optimization for High Reliability	12.300	27,167
Multirate Interacting Multiple Model Fusion	12.800	102,892
Nanoporous SiC and GaN	12.300	51,825
Nmr-Based Metabolomics in Toxicology Research	12.800	36,727
Nonlinear Analysis of Advanced Composites in Thermal/Acoustic Environment	12.800	151,243
Optimal Training System	12.630	20,121
Plasma Modeling Program	12.800	66,940
Polymer-Supported and Solution-Phase Routes-Polyne Monomers	12.800	3,568
Power Extraction from a Gas Turbine Engine in Flight	12.800	47,168

See notes to the Schedule of Expenditures of Federal Awards.

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**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>		
<b>U.S. Department of Defense, Subcontract (Continued) -</b>		
Quantifying Uncertainty in Structural Response	12.800	\$ 10,892
Repair Techniques with HGCDTE Infrared Focal Plane Arrays	12.800	(6)
Representing Plan Execution in a Dynamic Battlefield Environment	12.431	27,758
Robust Feature - Aided Tracking	12.800	56,808
Rolling Lead Aircraft Illusion Experiment	12.300	25,000
Room Temperature Ionic Liquids as Electrolytes in Fuel Cells	12.800	2,337
RTD Guidelines for Distributed Publishing and Subscribing System	12.114	10,000
Science and Engineering of Carbon Foams	12.800	8,377
Secure Knowledge Management Tasks	12.800	340,542
Semi-Active Vibration Control of Fan Blades	12.800	16,462
Sequences of Images Using the PFF, LGG and Spring Approaches	12.800	109
Simulation Based Research and Development Tools and Processes	12.800	168,270
Single Ionic Conducting Polymer Electrolyte	12.800	34,213
Substituted Heterocyclic Polymers for Fuel Cell Applications	12.800	22,577
Synthetic Aperture Ladar for Tactical Imaging (SALTI) System Engineering Support	12.800	31,132
Thermal Management Simulation Capability Assessment	12.800	10,000
Thermal Management of Next-Generation Power Electronics for the More-Electric Aircraft Initiative	12.800	45,710
THz Technology and Molecular Interactions	12.431	19,933
Toxicant Classification by NMR - Based Metabonomics	12.800	15,229
Understanding Uncertainty to Support Uncertainty Management	12.800	28,508
Use of Auditory Displays	12.800	72,006
ZnO UV/Blue Emitters	12.800	15,000
Total U.S. Department of Defense, Subcontract		<u>2,994,199</u>
<b>Total U.S. Department of Defense</b>		<u><b>7,776,028</b></u>
<b>U.S. Department of Energy, Prime:</b>		
Continuous Severe Plastic Deformation Processing - Aluminum Alloys	81.086	92,722
Cost Effective Survivability in Ultra High - Speed Networks	81.049	85,750
Performance Enhancement of Second Generation Coated Conductors by Investigation of Flux Pinning and Air Condition Loss Issues	81.049	367,038
Multiscale Reactive Transport in Processes Related to CO2 Sequestration	81.049	77,592
Total U.S. Department of Energy, Prime		<u>623,102</u>
<b>U.S. Department of Energy, Subcontract -</b>		
Development of P-Type ZnO	81.049	19,826
Development of Radiopharmaceuticals for the Study of Neurological and Psychiatric Disorders	81.049	2,697
Model-Based for Simulator-Based Training in Network-Centric	81.049	9,920
Pet Imaging Agents for Nicotine Receptors	81.049	2,730
Total U.S. Department of Energy, Subcontract		<u>35,173</u>
<b>Total U.S. Department of Energy</b>		<u><b>658,275</b></u>
<b>U.S. Department of Interior, Subcontract -</b>		
Strategic Alliance for the Development of Advanced Remote Sensing Technologies for Effective Water Resources Management	15.504	4,591
<b>U.S. Department of Labor, Prime -</b>		
Geophysical Void Detection	17.MSHAJ53R1011	59,706

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>		
<b>U.S. Department of Transportation, Prime -</b>		
Interactive Aircraft Accident Data Collection and Analysis Systems	20.108	\$ 60,607
<b>U.S. Environmental Protection Agency, Prime -</b>		
Cyanotoxin Standards Cylindrospermopsin and Anatoxin-A	66.424	14,974
Intergovernmental Personnel Agreement - Greenberg	66.IPA-Greenberg	97,972
Pcb Fluxes and Ecological Effects in Stream and River System	66.509	2,776
Total U.S. Environmental Protection Agency, Prime		115,722
<b>U.S. Environmental Protection Agency, Subcontract -</b>		
Measurments of Chemicals added to XAD-2 Audit Samples	66.500	127
<b>Total U.S. Environmental Protection Agency</b>		115,849
<b>National Aeronautics and Space Administration, Prime -</b>		
Communication Processes in Organizational Risk Management	43.001	50,061
Computer Modeling of the Discharge Chamber of an Ion Engine	43.001	44,280
Coupled Models of Planetary Thermospheres/Ionospheres	43.001	40,302
Dynamic Test of Pressure Sensors	43.001	8,084
Mars Global Surveyor Radio Science Electron Density Profiles	43.001	69,132
Temporal Changes in Stream Water Quality in Ohio River	43.001	19,314
Total National Aeronautics and Space Administration, Prime		231,173
<b>National Aeronautics and Space Administration, Subcontract -</b>		
Ceramic Fiber Hererostructures	43.001	10,000
Human Activity on Surface Water Quality of the Great Miami River	43.001	2,526
Impact Land-Cover Changes on Surface Water Quality Mississippi River/Sensing and GIS	43.001	13,710
NASA Mars EVA Prototype - Phase I; Earth Analogs for Human Exploration of Mars	43.001	926
Parallel Solutions of the Navier Stokes Equations	43.001	1,166
Participation in the Timed Spacecraft IDS Team of Janet U. Kozyra	43.001	33,459
Publication of Remote Sensing Education Workshop Results and Applications to Ohio Environment	43.001	177
Remote Sensing Management of the Control of the Gypsy Moth and other Forests Pests	43.001	18,065
Robust Analysis and Prediction for Integrated Design of Structures (RAPIDS)	43.001	32,999
Visual Orientation and Spatial Memory: Mechanisms of Countermeasures	43.001	(5,000)
Total National Aeronautics and Space Administration, Subcontract		108,028
<b>Total National Aeronautics and Space Administration</b>		339,201
<b>National Science Foundation, Prime -</b>		
Analysis of Sparse Factorial Designs and Related Problems	47.049	22,569
Bioengineering Design Projects for the Disabled	47.041	12,052
Calcium Homeostasis Modeled on the Freshwater Crayfish Molting Cycle	47.074	101,779
CAREER: Electronic and Optical Properties of Semiconductor Nanostructures	47.049	14,059
CAREER: Evolvable Hardware Neuromorphic Computational Devices for Sensing and Control	47.070	62,699
CAREER - Maturation of Synaptic Properties during Early Postnatal Development	47.074	20,292
Collaborative Project: Develop Undergraduate Data Mining Course	47.076	1,563
Coronas and Escape from the Martian Atmosphere, Ancient, and Modern	47.049	33,343
Cross-Modal Analysis of Signal and Sense	47.075	122,817

See notes to the Schedule of Expenditures of Federal Awards.

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**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>		
<b>National Science Foundation, Prime (Continued) -</b>		
Development of "smart" Scanning Probe Microscopy Instrumentation for Studies of Mineral - Water Interfaces	47.050	\$ 32,322
Equations of Monge-Ampere Type and Fully Nonlinear Equations	47.049	19,479
Genetics of Haldane's Rule in Caenorhabditis	47.074	94,242
GOALI: Laser Additive Manufacturing of Aerospace Components	47.041	10,664
RDE-DEI: Research in Disability Education - Demonstration, Enrichment, and Information Dissemination	47.076	5,242
REU Supplement: Career-Maturation of Synaptic Properties	47.074	6,661
Social Influences on Endocrine and Behavior Responses during Development	47.074	4,815
Solute Transport in Multimodal, Heterogeneous Geological Form	47.050	9,003
Strategic Control of Time-Sharing Performance	47.075	1
Talk Head and Icon: Behaviorally Situated Avatars Tutoring	47.070	52,027
Total National Science Foundation, Prime		<u>625,629</u>
<b>National Science Foundation, Subcontract -</b>		
An Instructional Approach to Enhance Quantitative Reasoning	47.075	907
Characterization of Hyperspectral Images in Urban Combat	12.800	39,904
Embodiment Awareness, Mathematics, and the Blind	47.070	277
IntelliStitch AI: Intelligent Computerized Embroidery Design	47.070	76,770
ITR: i-Learn: It's Enabled, Intelligent, and Ubiquitous Access to Educational Opportunities for Blind Students	47.070	10,056
Operational Analysis of Simulated Urban RFID Data	12.800	35,000
Oxygen Escape from Mars, Venus, and Earth	47.049	(2,371)
Total National Science Foundation, Subcontract		<u>160,543</u>
<b>Total National Science Foundation</b>		<u>786,172</u>
<b>U.S. Department of Agriculture, Prime -</b>		
Charge Carriers in Frequency-Dependent Electrical Conductivity of Smectites	10.001	14,133
<b>U.S. Department of Agriculture, Subcontract -</b>		
Bioremediation of Water Streams Contaminated with Pcb's	10.961	17,084
<b>Total U.S. Department of Agriculture</b>		<u>31,217</u>
<b>U.S. Fish and Wildlife Services, Prime -</b>		
Impacts of Environmental Contaminants on Fish-Eating Birds of the Passaic River	15.608	21,149
Reproductive and Developmental Toxicity of Polychlorinated Dibenzodioxins and Polychlorinated Dibenzofurans	15.608	9,120
Total U.S. Fish and Wildlife Services, Prime		<u>30,269</u>
<b>U.S. Department of Housing and Urban Development, Prime -</b>		
Building Futures - Research	14.511	6,972
<b>Other Federal Agencies, Subcontract -</b>		
Nonpoint Source Pesticides and Bioaccumulation Mussels and Fish	15.605	18,383
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>		<u>20,497,230</u>

See notes to the Schedule of Expenditures of Federal Awards.

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**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education Direct Programs -</b>		
A Collaborative University Approach to Training in Adapted Physical Education with Emphasis on Low-Incidence Disabilities	84.325A	\$ 68,299
Algebra and Physical Science Professional Development Project	84.366	16,821
Building Resources in the Development of Global Education for International Business	84.153A	44,440
Capacity - Building Faculty Support Grant	84.048	79,122
Child Care Subsidy and Promoting Positive Relationships Program	84.335A	68,967
Comprehensive, Data-Based Professional Development	84.336	33,637
Expanding the Pool of Qualified Teachers for Ohio's Schools	84.367	94,636
Fairborn Carol M. White Pep Grant	84.215F	17,789
Information Technology Research Institute	84.116Z	212,220
Involvement in European and Western Hemispheric Studies	84.016A	43,209
Literacy Education Partnership Field Faculty Network	84.002	71,126
Mathematical and Physical Science Professional Development for Grades 7-11 Teachers	84.281	186,507
Nursing Institute of West Central Ohio	84.116Z	80,627
Ohio Education Network for Science and Mathematics Education	84.002	22,307
Partners In Integrated Earth Systems Science (PIES)	84.281	49,872
Planning Grant for Study Abroad Program	84.220	2,500
Positive Behavioral Support in the Early Childhood Environment	84.323A	(239)
Prevention through Alternative Learning: Violence and Substance Abuse Prevention	84.P0111	41,361
Professional Development Activities for Intervention Specialists: Core Academic Content Areas	84.367	4,243
Project Manager for Expanding the Pool of Qualified Teachers	84.367	98,448
Project RENEUUS: Regional Educational Network between the European Union and the United States	84.116J	88,612
Reduce Substance Abuse Use Among Youth with Learning Challenges	84.184	38,340
Target Program	84.220	2,054
Teaching American History Grant	84.215	172,295
Teaching American History - Montgomery County	84.215X	39,028
Team Learning Support	84.305	3,145
The Reading First - Ohio Center	84.357A	71,830
The Wright Charter College of Education	84.215	175,415
US Brazil Biotech Training Consortium (USABRIO)	84.116M	62,506
West Central Ohio Tech Prep Consortium Mini Grant	84.016	9,276
<b>Total U.S. Department of Education Direct Programs</b>		<u>1,898,393</u>
<b>U.S. Department of Health and Human Services, Prime -</b>		
Acute Care Nurse Practitioner Cardiac Specialty Program	93.247	167,531
Anatomical Resource in the QuickTime VR Format	93.879	4,885
BEACON: Accelerated BSN for Baccalaureate Graduates	93.359	189,326
Brothers To Brothers/Sisters To Sisters	93.243	686,224
CE: Collaborative Peer Supervision Groups (SPRANS)	93.110	25,364
Creating Educational Partnerships in Diverse Communities	93.884	86,927
Expansion of Alliance for Research in Community Health	93.984	17,560
Healthink Miami Valley	93.252	335,374
Integration of Excellence in Nursing Education, Research and Service/Practice	93.888	14,507
Long Term Care Enhancement for RN and BSN Distance Students	93.359A	14,256
Online Family Nurse Practitioner 1st and 2nd Master's Degree	93.247	216,594
Predoctoral Training in Primary Care	93.896	128,919
Professional Nurse Traineeship	93.358	67,200
Total U.S. Department of Health and Human Services, Prime		<u>1,954,667</u>
<b>U.S. Department of Health and Human Services, Subcontract -</b>		
CCOE: Dual Diagnosis MI/MRDD	93.630	129,394
CCOE: Dual Diagnosis MI/MRDD - ODMH	93.630	1,654
Dayton Clinical Oncology Program (DCOP) Fiscal Agency	93.399	805,158
Graduate Research Assistant Stipend - Wey Zheng	93.867	4,403
Outreach and Prevention/Intervention	93.959	2

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services, Subcontract (Continued) -</b>		
PECE-PACT: Parents Early Childhood Education/Positive Action Choices Training	93.959	\$ 68,139
Sensitivity of Disabilities Workshop for Engineering Student	93.184	3,826
SERA Sample Analyses - Battelle	93.956	35,118
TV Broadcast to Promote Health Vision 2010 Objectives	93.867	4,098
Total U.S. Department of Health and Human Services, Subcontract -		<u>1,051,792</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>3,006,459</u>
<b>U.S. Department of Defense, Prime -</b>		
Air Force ROTC-Uniform Commutation Fund	12.AFROTCR170-1	<u>36,742</u>
<b>U.S. Department of Housing and Urban Development, Prime -</b>		
Building Futures	14.511	81,168
Dayton Community Development Work-Study Program	14.512	74,413
Total U.S. Department of Housing and Urban Development, Prime -		<u>155,581</u>
<b>U.S. Department of Housing and Urban Development, Subcontract -</b>		
Hope VI Project Graduate Research Assistant	14.850	(142)
Yellow Springs Home, Inc. Strategic Plan	14.850	(9)
Total U.S. Department of Housing and Urban Development, Subcontract -		<u>(151)</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>155,430</u>
<b>National Aeronautics and Space Administration, Prime -</b>		
Aerospace Medicine Residency Program	43.001	514,157
Intergovernmental Personnel Agreement - Frey	64.103	(26)
Total National Aeronautics and Space Administration, Prime -		<u>514,131</u>
<b>National Aeronautics and Space Administration, Subcontract -</b>		
Delivering the ESSEA On-Line Courses for K-12 Teachers	43.001	<u>14,580</u>
<b>Total National Aeronautics and Space Administration</b>		<u>528,711</u>
<b>National Endowment for the Humanities, Prime -</b>		
Living and Working in Ohio's Miami Valley, 1890-1929	45.164	12,955
Preservation Assessment Survey Special Collections and Archive	45.149	4,662
Total National Endowment for the Humanities, Prime -		<u>17,617</u>
<b>National Endowment for the Humanities, Subcontract -</b>		
Legacy: Brown vs The Board of Education	45.164	<u>10,000</u>
<b>Total National Endowment for the Humanities</b>		<u>27,617</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, 2005**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
<b>National Endowment for the Humanities: Institute of Museum and Library Services, Subcontract -</b>		
Statewide Core Electronic Information Collection (SCEIC)	45.310	\$ 976,499
<b>National Science Foundation, Prime -</b>		
A National Model for Engineering Mathematics Education	47.041	88,980
Autonomous Robotics Practicum for Engineering Undergraduates and STEM Educators	47.076	41,411
Creating Laboratory Access for Science Students (CLASS): National Dissemination	47.076	68,597
Crossing the Interdisciplinary Barrier: An Integrated Undergraduate Program in Bioinformatics	47.070	155,405
Research Foundations on Successful Participation of Underrepresented Minorities in Information Technology: A Virtual Conference	47.076	25,587
REU/ASSURE Site in Physics at Wright State University and Wright Patterson Air Force Base	47.049	65,728
UMEB: Wright State University Partners with Wilberforce University to Yield RESULTS	47.074	33,077
Total National Science Foundation, Prime -		478,785
<b>National Science Foundation, Subcontract -</b>		
CWCS Workshops in Combinatorial Chemistry	47.074	13,348
LSAMP Bridge Program	47.076	38,032
Total National Science Foundation, Subcontract		51,380
<b>Total National Science Foundation</b>		<b>530,165</b>
<b>Small Business Administration, Subcontract -</b>		
Manufacturing Small Business Development Center - (M-SBDC)	59.005	4,999
Small Business Development Center	59.037	181,245
<b>Total Small Business Administration, Subcontract -</b>		<b>186,244</b>
<b>U.S. Department of Energy, Subcontract -</b>		
Surface Analysis 04/PWNWAVS Conference Travel	81.DE-AC06-76RL031830	690
<b>U.S. Department of Transportation, Subcontract -</b>		
Public and Social Service Transportation Internship Program	20.215	13,050
<b>U.S. Department of Veterans Administration, Prime -</b>		
Interactive Training And Development Series-Leadership Trans	64.103	32,622
Leadership and Goalsharing Training	64.103	(87)
Leading Successful, Goal-Oriented Teams	64.103	1,385
Skills to get Organized and Manage your Time	64.103	(81)
Staff Administrative Support Team (SAST) Annual Seminar	64.103	(2)
The Changing Face of Today's Workforce	64.103	1,215
<b>Total U.S. Department of Veterans Administration, Prime</b>		<b>35,052</b>
<b>Other Federal Agency -</b>		
Snow Emergency Removal	97.036	23,392
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 38,419,422</b>

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, 2005

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### A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared using the accrual basis of accounting in accordance with the format as set forth in Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the United States Office of Management and Budget. The schedule reflects the expenditures of Wright State University under programs financed by the U.S. government for the year ended June 30, 2005.

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, 2005, are summarized as follows:

Federal Subsidized Stafford Loans	\$ 31,646,114
Federal Unsubsidized Stafford Loans	30,293,301
Federal Parental Loans for Undergraduate Students (PLUS)	<u>11,609,207</u>
	<u>\$ 73,548,622</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:

	<b>CFDA Number</b>	<b>Outstanding Balance at June 30, 2005</b>
Federal Perkins Loan Program	84.038	\$ 13,983,614
Loans to Disadvantaged Students	93.342	457,056
Health Professions Student Loan Program	93.342	64,486
Nursing Student Loan Program	93.364	1,059,814
Primary Care Loan Program	93.342	2,305,358

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:

	<b>CFDA Number</b>	<b>Disbursements</b>
Federal Perkins Loan Program	84.038	\$ 3,023,076
Loans to Disadvantaged Students	93.342	232,620
Nursing Student Loan Program	93.364	301,899
Primary Care Loan Program	93.342	49,999

\* \* \* \* \*

**Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To The Board of Trustees  
of Wright State University:

We have audited the financial statements of Wright State University (the “University”), a component unit of the State of Ohio, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the 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 the University in a separate letter dated September 30, 2005.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the University in a separate letter dated September 30, 2005.

This report is intended solely for the information and use of the Board of Trustees, the University's audit and finance committee, 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

Dayton, Ohio  
September 30, 2005

**Report of Independent Auditors on Compliance with Requirements  
Applicable to each Major Program and on 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"), a component unit of the State of Ohio, 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 years ended June 30, 2005, except as described in the second paragraph of this report. 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 the 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 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, 2005.

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 reportable 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 caused by error or fraud 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, the University's audit and finance committee, 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

Dayton, Ohio  
September 30, 2005

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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### Part I – Summary of Auditor’s Report

#### Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- > Material weakness(es) identified?  yes  no
- > Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

- > Material weakness(es) identified?  yes  no
- > Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

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 OMB Circular A-133?  yes  no

#### Identification of major programs:

Student Financial Aid – Cluster  
Research and Development – Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,152,583  
Auditee qualified as low-risk auditee?  yes  no

**WRIGHT STATE UNIVERSITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

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**Part II – Financial Statement Findings**

No items noted

**Part III – Federal Award Findings and Questioned Costs**

No items noted

**Wright State University  
Intercollegiate Athletics  
Department**

**Report of Independent Accountants on  
Applying Agreed-Upon Procedures  
June 30, 2005**

**Report of Independent Accountants  
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

1. We obtained the Statement of Revenues and Expenses (the "Statement") of the Intercollegiate Athletics Department (the "Athletics Department") for the year ended June 30, 2005, as prepared by management as well as shown on page 6. Additionally, we obtained the supporting worksheets and compared each of the revenue and expense amounts on the Statement to management's worksheets, noting no exception.
2. We agreed all amounts on management's worksheets to the University's general ledger, noting no exception.
3. We compared revenues and expenses appearing on the Statement to budgeted amounts and prior year amounts and investigated variances greater than 10 percent, noting all variances appeared adequately explained.

4. We agreed each contribution of cash, services or goods, that were received directly by the University's Athletics Department and that constituted 10 percent or greater of all contributions received by the University's Athletics Department to supporting documentation. We noted one contribution of \$50,000 received by the University, which constituted 14% of all contributions.
5. We selected a sample of 10 operating revenue receipts and compared the revenue receipt to check copies and/or other supporting documentation maintained by the University, noting no exceptions.
6. We selected one home men's basketball game and one home women's basketball game and recalculated revenue totals related to tickets sold and agreed the ticket revenue to the general ledger, noting no exceptions. We recalculated totals of complimentary tickets and unsold tickets appearing on the ticket office sales reports, noting no exceptions.
7. We agreed the guarantees revenues (away games) and expenditures (home games) to the signed contracts and other supporting documentation, noting no exceptions.
8. We obtained an understanding that the University does not allocate student fees to intercollegiate athletics programs.
9. We agreed the Federal Work Study support recorded by the athletic department with federal appropriations and/or other supporting documentation, noting no exceptions.
10. We agreed the University's direct support recorded by the athletic department to the University's authorizations, noting no exceptions.
11. We obtained and inspected the agreements related to the University's participation in revenues from tournaments during the year ending June 30, 2005 to gain an understanding of the relevant terms and conditions. We agreed the related tournament revenues to the check copies as well as to the general ledger and Statement, noting no exceptions.
12. We noted the University does not earn revenue for basketball television rights, hence we did not agree revenue to written communication from the associations or copies of the checks representing payments to the University for making its television rights available.
13. We noted the University does not earn revenue for radio broadcast rights to all University basketball games.

14. We obtained and inspected the agreements related to the University's participation in revenues from advertisements and sponsorships. We selected 10 revenue receipts and agreed to the check copies as well as the total to the Statement, noting no exceptions.
15. We reviewed the sports-camp contracts between the University and the person conducting institutional sports-camps or clinics to obtain an understanding of the University's methodology for recording revenues and expenses.
16. We selected 10 sports-camp participant cash receipts and agreed the revenue to check copies, noting no exceptions.
17. We selected 10 sports-camp participant cash expenses and agreed the expense to the supporting documentation (for example, invoices) and made sure the expense were in compliance with the contracts noting no exceptions.
18. We selected a sample of 10 student athletes who received institutional financial aid during the year ended June 30, 2005 and agreed the award amount per the student's account detail to the related award letter, noting no exceptions.
19. We obtained a listing of coaches employed by the University. We selected coaches for men's and women's basketball, baseball and a selection of two other coaches and obtained the related contracts. We agreed the coaches' salaries, benefits and bonuses per the contracts to the amounts recorded by the University in the Statement. We obtained the W-2's and 1099's for the coaches selected and agreed amounts appearing in the W-2's and 1099's to the related expenses in the Statement, noting no exceptions.
20. We obtained a listing of coaches employed by third parties during the year ended June 30, 2005. We noted there were no such coaches employed.
21. We obtained a listing of administrative employees of the Athletics Department and other third parties that are not included in the University's general ledger. We selected 10 administrative employees and obtained the W-2's and 1099's for the employees selected and agreed the amounts appearing in the W-2's and 1099's to the related expenses in the Statement, noting no exceptions.
22. We selected the only employee receiving severance payments by the University and agreed each severance payment to the related termination letter and employment contract. We noted that the individual receiving severance payments was overpaid by the University in the amount of \$5,765.
23. We obtained copies of the University's recruiting and travel policies. We read the policies and compared them to the NCAA policies, noting they are consistent.
24. We reviewed and recalculated the allocation from the Nutter Center to the athletic department for concessions and parking, noting no exceptions.

25. We selected a sample of 10 equipment, uniform and/or supplies expense transactions and compared the expense transaction to supporting documentation maintained by the University, noting no exceptions.
26. We reviewed contracts for fundraising, marketing and promotional activities for the athletic department. We selected a sample of 10 fundraising, marketing and/or promotion expense transactions and compared them to supporting documentation, noting no exceptions.

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.

27. 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) use of internal auditors, (4) competency of personnel, (5) adequate safeguarding and control of department records and assets, and (6) controls over interactions with information technology department.
28. We obtained an understanding of the University's procedures for gathering information on the nature and extent of the affiliated and outside organization's activities for or on behalf of the University's intercollegiate athletic programs. We found that the University receives internal reports of the outside organization's activities on a monthly and an external audited report on an annual basis.

Procedures Related to the Wright State University Foundation

29. We obtained the list of outside programs and related financial activities for the year ended June 30, 2005, which is included on page 7 of this report.
30. We confirmed with the athletic business manager that the information referred to in “29.” 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, 2005.
31. We confirmed directly with officers of the Foundation that the data to be contained in “29.” above represented 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, 2005.

Procedures Related to the Athletics Assets

32. We obtained a schedule of total intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type.
33. We substantiated this schedule by agreeing it to the institution’s general ledger.
34. We selected significant capitalized additions made by the institution during the reporting period (greater than 10 percent of total capital additions) and agreed to the recorded cost of each selection to adequate supporting documentation. We noted no capitalized additions exceeding 10 percent of total capital additions.

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, 2005. 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, 2005, 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 30, 2005

**Wright State University**  
**Intercollegiate Athletics**  
**Statement of Revenues and Expenditures Combined**  
**June 30, 2005**

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
<b>Revenues</b>					
Ticket Sales	\$ 271,717	\$ -	\$ 6,131	\$ -	\$ 277,848
Student Fees	-	-	-	-	-
Away-Game Sales & Guarantees	-	-	10,000	-	10,000
Contributions	13,334	2,573	44,311	290,122	350,340
Third-Party Support	-	-	-	-	-
Direct State/Other Gov't. Support	2,109	3,733	144	17,677	23,663
Direct Institutional Support	989,036	671,961	3,119,326	1,447,314	6,227,637
Indirect Facilities & Administrative Support	-	-	-	-	-
NCAA/Conference Distributions	34,468	-	1,300	184,727	220,495
Broadcast, TV, Radio, & Internet Rights	-	-	-	-	-
Program Sales, Concessions, Novelty Sales, Parking	26,404	224	62,696	96,457	185,781
Royalties, Advertisements, & Sponsorships	183,300	-	100	31,150	214,550
Sports Camp Revenues	21,597	7,250	105,400	31,584	165,831
Endowment & Investment Income	-	-	-	-	-
Other Revenues	3,048	264	5,370	39,052	47,734
Total Operating Revenue	<u>1,545,013</u>	<u>686,005</u>	<u>3,354,778</u>	<u>2,138,083</u>	<u>7,723,879</u>
<b>Operating Expenditures</b>					
Student Aid	250,388	226,207	1,672,253	19,188	2,168,036
Guarantees	30,500	4,500	-	-	35,000
Coaching Salaries, Benefits, & Bonuses	424,554	145,350	818,446	-	1,388,350
Coaching Other Compensation & Benefits	-	-	-	-	-
Support-Staff/Administrative Salaries, Benefits, & Bonuses	176,824	59,544	29,336	1,203,420	1,469,124
Support-Staff/Administrative Other Compensation & Benefits	-	-	-	-	-
Severance Payments	83,971	-	-	-	83,971
Recruiting	64,885	36,081	49,711	-	150,677
Team Travel	162,426	96,657	402,827	-	661,910
Equipment, Uniforms, & Supplies	30,148	32,812	155,123	46,272	264,355
Game Expenses	51,460	30,379	31,912	6,171	119,922
Fundraising, Marketing, & Promotion	131,809	17,122	13,797	50,316	213,044
Sport-Camp Expenses	9,033	5,098	44,836	15,284	74,251
Direct Facilities, Maintenance, & Rental	91,261	12,761	14,021	383,899	501,942
Direct Support Funded by Athletics	-	-	-	-	-
Indirect Facilities & Administrative Support	-	-	-	-	-
Other Operating Expenses	37,754	19,494	122,516	579,346	759,110
Total Operating Expenditures	<u>1,545,013</u>	<u>686,005</u>	<u>3,354,778</u>	<u>2,303,896</u>	<u>7,889,692</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (165,813)</u>	<u>\$ (165,813)</u>

**Wright State University**  
**Statement of Changes in Funds**  
**Restricted Funds**  
**June 30, 2005**

Gift Accounts:	Beginning Fund	Increase in Funds (1)	Expenses for or in Behalf of Program (2)	Transfers & Others	Ending Fund
ADC Platinum Charter	\$ 8	\$ 87,552	\$ (87,376)	\$ (184)	\$ -
Athletics General Fund	86	62,699	(62,438)	-	347
Baseball	42	15,282	(15,283)	-	41
Baseball Facility Project	-	5,000	(5,000)	-	-
Baseball Premium Seats	83	167	-	-	250
Basketball - Men's	-	13,334	(13,334)	-	-
Basketball - Women's	8	2,573	(2,568)	-	13
Cheerleading	175	667	(842)	-	-
Cross Country - Men's	75	-	-	-	75
Cross Country - Women's	150	100	(250)	-	-
Campus Scholarship Campaign - Athletics	-	480	-	-	480
Campus Scholarship Campaign - Men's Basketball	61	-	-	-	61
Campus Scholarship Campaign - Women's Basketball	39	-	-	-	39
Emerald Jazz	-	667	(667)	-	-
Golf	2,093	8,215	(9,000)	-	1,308
Greg Nischwitz	10,792	10,977	(10,790)	-	10,979
Heider/Best Scholarship	3,191	420	(3,190)	-	421
Soccer - Men's	84	2,125	(2,209)	-	-
Soccer - Women's	-	1,000	(1,000)	-	-
Soccer buyout fund	2,592	5,389	(712)	-	7,269
Soccer Light Fund	1,021	-	-	-	1,021
Softball	-	1,225	(1,225)	-	-
Basketball Prem Sports	-	124,320	(124,320)	-	-
Swimming - Men's	1	150	-	-	151
Swimming - Women's	-	700	(700)	-	-
Tennis - Men's	1	785	(785)	-	1
Tennis - Women's	1	310	(310)	-	1
Track - Women's	-	1,495	(1,495)	-	-
Training Room	-	-	-	-	-
Volleyball	-	2,318	(2,260)	-	58
Women's Volleyball Scholarship	8	-	-	-	8
WSU Pavilion Fund	146,221	50,200	(4,586)	-	191,835
Wynkoop Scholarship	-	50	-	-	50
	<u>166,732</u>	<u>398,200</u>	<u>(350,340)</u>	<u>(184)</u>	<u>214,408</u>
<b>Endowment Income Accounts</b>					
Greg Nischwitz	147,725	-	-	-	147,725
Heider/Best Scholarship	1,858	50	-	-	1,908
Greg Nischwitz	65,770	18,482	(13,112)	-	71,140
Heider/Best Scholarship	7,069	777	(510)	-	7,336
	<u>222,422</u>	<u>19,309</u>	<u>(13,622)</u>	<u>-</u>	<u>228,109</u>
<b>Total Wright State Foundation</b>	<u>\$ 389,154</u>	<u>\$ 417,509</u>	<u>\$ (363,962)</u>	<u>\$ (184)</u>	<u>\$ 442,517</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**

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**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 30, 2005**