

WRIGHT STATE *UNIVERSITY*

Annual Report and Single Audit Reports For Federal Awards For the Year Ended June 30, 2006

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



Mary Taylor, CPA
Auditor of State

Board of Trustees
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We have reviewed the *Report of Independent Auditors* of the Wright State University, Greene County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2007

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WRIGHT STATE UNIVERSITY

TABLE OF CONTENTS

	Page (s)
Part I - Financial Information	
Management's Discussion and Analysis	2 - 14
Financial Statements:	
Report of Independent Accountants	15 - 18
Financial Statements	19 - 22
Notes to the Financial Statements	23 - 41
Supplementary Information:	
Schedule of Expenditures of Federal Awards	42 - 51
Notes to the Schedules of Expenditures of Federal Awards	52 - 54
Part II - OMB Circular A-133 Supplemental Financial Reports	
Report of Independent Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	55 - 58
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	59 - 62
Schedule of Findings and Questioned Costs	63 - 64

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, 2006 with selected comparative information for the years ended June 30, 2005 and 2004. 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 was reviewed by a site visit team of The Higher Learning Commission of The North Central Association of Colleges and Schools during 2006. As a result of the site visit team's report, the University was reaccredited through the year 2016. The site visit team had no recommendations for follow-up visits or follow-up reports, which is uncommon. In addition, they found the University to be exemplary in all evaluated criteria; mission and integrity, preparing for the future, learning and teaching, discovery and application, and engagement and service.
- Total state appropriations remained flat in 2006 compared to 2005 after subtracting the effect of OhioLINK (a statewide library initiative for which the University serves as fiscal agent). While state appropriations for higher education operations have been decreasing in recent years, the university's continuing enrollment growth as a relative share of all of Ohio's public universities' and its improved retention and graduation rates have enabled the University to maintain the same level of funding in 2006 as in 2005. State appropriations were \$1.8 million less in 2005 than in 2004. The University remains concerned over the low priority given higher education in Ohio.
- Student tuition was increased 6% for fiscal year 2006 for all students except the Boonshoft School of Medicine, which was increased 12%. While these increases were higher than desirable, the University still maintains the fourth lowest in-state undergraduate tuition rate among the State of Ohio's thirteen four-year public institutions.
- Net assets increased \$28.6 million at June 30, 2006 from June 30, 2005. Approximately \$20.0 million was attributable to an increase in capital assets, net of depreciation and associated debt. Major improvements and expansions are being made to the Student Union, Russ Engineering Building, and the Creative Arts Building. In addition, a new Athletic Pavilion was donated to the University in 2006. The remaining increase in net assets of \$8.6 million is primarily the result of an increase in unrestricted net assets due to favorable revenue variances (primarily state appropriations and investment income) and unspent budgets.
- As part of a strategic decision, the University transferred all of its endowment funds (\$4.1 million) to the Wright State University Foundation. As the WSU Foundation is the entity who receives all gifts, this will enable the University to eliminate the duplicate administration of endowments while simultaneously taking advantage of one of the Foundation's core strengths of endowment fund management.
- The University continued its trend of increasing student enrollment as Fall 2005 student headcount as well as annual full time equivalent (FTE) students increased .8% from the prior year.
- For the 27th consecutive year, top honors went to Wright State students at the National Model United Nations (NMUN) conference. WSU competed against 225 universities from five continents.

- In the last official year of its fundraising campaign entitled “*Tomorrow Takes Flight: The Campaign for Wright State University*”, total contributions and commitments have increased to over \$107 million. The University has well exceeded its original campaign goal of raising \$40 million for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowments. There was one especially noteworthy contribution of \$28.5 million given to the Boonshoft School of Medicine. This naming gift was one of the largest single gifts in the region and is the largest in university history.
- The University opened its state of the art MTC Technologies Trading Center during 2006. This center replicates an actual stock market trading environment with the same software that is used in actual brokerage houses across the world. It features real-time coverage of financial markets and is used by faculty and students as a training ground for simulated trading and other learning opportunities that only an actual trading environment would offer. The new center has recently received a major national design award.
- The University had implemented all modules of its new Enterprise Resource Planning (ERP) System as of July 1, 2006. This project replaced all administrative information systems within the University, including financial, human resource/payroll, student, and advancement and fund-raising systems. Fiscal year 2006 was the first full year for utilization of the finance module.

Using the Annual Report

This annual report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with 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 Statement of Cash Flows presents information related to both cash inflows and cash outflows and is further categorized by operating, noncapital financing, capital and related financing, and investing activities.

Statements of Net Assets

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

	2006	2005	2004
	(All dollar amounts in thousands)		
Current assets	\$ 86,676	\$ 84,496	\$ 89,141
Noncurrent assets:			
Capital assets, net	253,157	228,641	227,257
Other	121,264	119,148	74,926
Total assets	<u>461,097</u>	<u>432,285</u>	<u>391,324</u>
Current liabilities	68,001	64,926	65,961
Noncurrent liabilities	48,238	51,114	22,406
Total liabilities	<u>116,239</u>	<u>116,040</u>	<u>88,367</u>
Net assets:			
Invested in capital assets, net of related debt	226,597	206,594	210,772
Restricted	18,676	22,321	21,515
Unrestricted	99,585	87,330	70,670
Total net assets	<u>\$ 344,858</u>	<u>\$ 316,245</u>	<u>\$ 302,957</u>

The University experienced a substantial growth in net assets, primarily attributable to a significant increase in capital assets, net of depreciation and related debt. The University is in the midst of renovations and expansions of its physical facilities to serve its growing enrollment and research base and these are reflected in the growth in capital assets. The largest investments in 2006 were in the engineering facilities, Student Union, Creative Arts building, and the Boonshoft School of Medicine's Frederick A. White Center. In addition, a state of the art athletic pavilion was donated to the University, for use by the men's and women's basketball and other athletics programs. Unrestricted net assets also increased. This has been a consistent result in recent years of the university's conservative management style. The university's practice of prudent spending continues to result in savings over budgeted expenses. In addition, positive revenue variances in 2006, particularly in investment income and state appropriations contributed to the increase. Restricted net assets saw a modest decrease in 2006 as a result of the University transferring its endowment funds to the Wright State University Foundation to take advantage of their expertise in endowment management and to eliminate the duplicate administration of endowment funds.

Total assets have increased \$28.8 million in 2006 over 2005. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, increased a modest \$2.2 million in 2006. Cash and operating investments decreased \$5.2 million from 2005 which is simply a function of more investments being classified as noncurrent assets. Prepaid expenses, which are primarily composed of license agreements made on behalf of the OhioLINK program for which the University is the fiscal agent, increased \$5.2 million in 2006 over 2005. The increase in prepaid expenses is a result of a shift of these assets from noncurrent prepaid expenses in 2005 to current in 2006. There is a corresponding decrease in noncurrent assets in 2006. Accounts receivable increased by \$3.4 million, entirely due to an increase in sponsor receivables from research and sponsored program activities.

Other assets increased \$2.2 million from \$119.1 million in 2005 to \$121.3 million in 2006. These assets are comprised of long-term investments, long-term student loans receivable, longer term prepaid expenses, and restricted cash and investments. Embedded in this \$2.2 million increase is a decrease of \$10.5 million in restricted cash and investments due to spending down the invested 2004 bond proceeds on capital projects during 2006. Also as noted in the previous paragraph, \$4.9 million of the 2005 longer term prepaid expenses shifted to current assets resulting in a further reduction of other assets. These decreases were more than offset by a \$17.4 million increase in long-term investments from \$70.3 million in 2005 to \$87.7 million in 2006. This increase in investments can be attributed to the increase in

unrestricted net assets and also a small shift in 2006 from short-term investments to long-term investments. Capital assets, net of depreciation increased from \$228.6 million to \$253.2, or \$24.6 million, due to the renovations and expansions previously discussed. In addition, the University completed the capitalization of its new ERP system in 2006.

The 2005 increase in total assets was \$41.0 million over 2004. This was almost solely attributable to an increase in other assets. There was a \$26.1 million increase due to an influx of unspent bond proceeds in 2005 from the December 2004 bond issue. Also, long-term investments increased \$12.6 million as a result of growing reserves and a rebalancing of the investment portfolio, shifting more assets to longer term investments.

Total assets of the Wright State University Foundation increased from \$97.3 million at June 30, 2005 to \$105.3 million at June 30, 2006, an increase of \$8.0 million. Of the \$105.3 million, investments comprise \$92.0 million and gifts and pledges receivable comprise another \$11.6 million at June 30, 2006. The success of the fundraising campaign as well as investment returns and the transfer of the university endowments were the primary reasons for the \$8.0 million increase in assets in 2006 over 2005.

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 increased \$3.1 million from \$64.9 million at June 30, 2005 to \$68.0 million at June 30, 2006. Of the \$3.1 million increase, \$3.0 million is due to an increase in accrued liabilities as the final payments to the university's two retirement systems for fiscal 2006 were not made until July whereas they were made in the month of June in fiscal 2005. The largest component of current liabilities is deferred revenue, which remained relatively unchanged from \$34.9 million in 2005 to \$35.0 million in 2006.

Current liabilities in total decreased from \$66.0 million at June 30, 2004 to \$64.9 million at June 30, 2005. This decrease was the result of a 2005 reduction in advance sponsor payments of \$3.9 million, partially offset by increases in accounts payable, accrued liabilities, and current portion of long-term debt.

Noncurrent liabilities were \$51.1 million at June 30, 2005 and decreased to \$48.2 million at June 30, 2006. This decrease of \$2.9 million is simply the result of payments against the university's debt obligations.

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:

	2006	2005	2004
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	\$ 226,597	\$ 206,594	\$ 210,772
Restricted:			
Nonexpendable		1,364	1,364
Expendable	18,676	20,957	20,151
Unrestricted:			
Designated	93,565	82,999	70,413
Undesignated	6,020	4,331	257
Total net assets	<u>\$ 344,858</u>	<u>\$ 316,245</u>	<u>\$ 302,957</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. As discussed earlier, 2006 was a year of expansion and renovation for the University. The University is expanding its research facilities in engineering and the sciences. In addition, it is renovating space within the Student Union to better serve the students' recreational and health needs. A state of the art athletic pavilion was donated to the University for the benefit of men's and women's basketball. Major improvements were also made to the Creative Arts facility. Complementing all of this, the University is also concluding the capitalization and implementation of its new administrative software system that has been ongoing since 2004.

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. During 2006 the University transferred its endowment funds to the WSU Foundation to manage. Therefore, there was a decrease of nonexpendable assets of \$1.4 million during 2006, which represented the entire amount held by the University. *Restricted expendable* represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. \$18.1 million and \$18.0 million of the restricted expendable fund balances at June 30, 2006 and June 30, 2005, 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 a component of 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 that support strategic initiatives.

Statements of Revenues, Expenses and Changes in Net Assets

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

	2006	2005	2004
	(All dollar amounts in thousands)		
Operating Revenues:			
Student tuition & fees - net	\$ 107,293	\$ 99,537	\$ 87,295
Grants and contracts	92,541	87,854	79,657
Sales and services	7,142	7,429	6,828
Auxiliary enterprises	15,376	14,444	14,871
Other	2,184	1,746	1,785
Total	<u>224,536</u>	<u>211,010</u>	<u>190,436</u>
Operating expenses	<u>317,918</u>	<u>305,434</u>	<u>284,227</u>
Operating loss	(93,382)	(94,424)	(93,791)
Nonoperating revenues (expenses):			
State appropriations	91,796	93,099	91,725
Gifts	5,466	5,224	4,970
Investment income	8,774	4,966	3,565
Interest expense	(1,256)	(1,058)	(657)
Other income (expense)	(4,825)	2	(13)
Capital appropriations	10,916	4,678	3,447
Capital grants and gifts	11,124	801	1,029
Total	<u>121,995</u>	<u>107,712</u>	<u>104,066</u>
Increase in net assets	28,613	13,288	10,275
Net assets - beginning of year	<u>316,245</u>	<u>302,957</u>	<u>292,682</u>
Net assets - end of year	<u>\$ 344,858</u>	<u>\$ 316,245</u>	<u>\$ 302,957</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:

OhioLINK Revenues and Expenses
For the Year Ended June 30

	2006	2005	Difference	Percent Increase (Decrease)
Revenues:				
Grants and contracts	\$ 25,061,879	\$ 25,842,299	\$ (780,420)	(3.0)%
State appropriations	<u>7,011,462</u>	<u>8,374,846</u>	<u>(1,363,384)</u>	<u>(16.3)%</u>
Total revenues	<u>\$ 32,073,341</u>	<u>\$ 34,217,145</u>	<u>\$ (2,143,804)</u>	<u>(6.3)%</u>
Expenses:				
Total OhioLINK	<u>\$ 32,073,341</u>	<u>\$ 34,217,145</u>	<u>\$ (2,143,804)</u>	<u>(6.3)%</u>

The university's primary revenue sources are state appropriations and student tuition and fees. These fund the ongoing programs and operations of the University. Accounting standards classify state

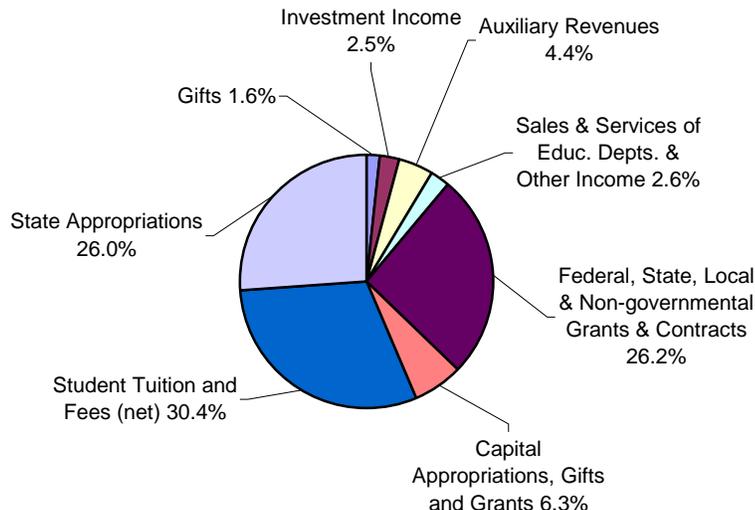
appropriations as a nonoperating revenue source in the financial statements. However, since the University continues to rely upon it as a primary funding source, it manages state appropriations as an operating revenue item. In recent years this source has become a smaller and smaller fraction of total revenues. This reflects state budget pressures to increase support for Medicaid and K-12 education costs and the relatively low priority historically given to higher education funding. The result of this is a necessity for the University to raise tuition in order to meet increased operating costs in support of enrollment growth and investments in academic programs as well as the capital and human infrastructure necessary to run the University. The days of state appropriations being relied upon as the primary funding source are now over. The University has worked to develop alternate revenue sources and to manage costs effectively in order to limit the burden on students. Unfortunately, significant tuition increases have been required in recent years because of the failure of state funding to support either enrollment growth or increases in costs for such items as health insurance and utilities. The table below demonstrates how 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
2006	131,262,871	84,784,334	0.65

The pace of this shift of financial burden has been escalating in the current decade. In the last five years state appropriations (net of OhioLINK) have *decreased* \$2.1 million while gross tuition has increased \$56.3 million. In the preceding twenty one years state appropriations *increased* \$57.3 million and gross tuition increased \$61.1 million. During those twenty one years the University was able to share the burden in increased costs proportionately between the State of Ohio and the students and their families. As can be seen, the State of Ohio has since decided to not increase their investment in higher education and force students to fund all necessary annual increases. However, even after these disproportional increases to students, the University continues to assess lower than average tuition and fees relative to other state four-year public institutions. Wright State is maintaining its rank as the 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, 2006.



State appropriations decreased from \$93.1 million in 2005 to \$91.8 million in 2006, a decrease of \$1.3 million. This decrease is entirely attributable to OhioLINK, whose funding declined by \$1.4 million. Without that decrease, state appropriations remained flat between 2005 and 2006. State appropriations were \$91.7 million in 2004. Even though state funding is in general a function of student credit hour enrollment and through 2006 the university's enrollment has been growing for over a decade, state appropriations continue to stagnate. Wright State has seen no growth in state funding to support its enrollment growth.

Net student tuition and fees were \$107.3 million, \$99.5 million, and \$87.3 million in 2006, 2005, and 2004, respectively which provided an increase of just under 8% from 2005 to 2006 and almost 14% from 2004 to 2005. The University raised tuition 6% annually for most students in 2006 and 2005. In addition, FTE enrollments increased .8% and 1.3% in 2006 and 2005, respectively. These are the primary components of the increase in tuition and fee income. As previously stated, these large increases in tuition and fees would not have been necessary if the state had funded its historic share of costs.

Grants and contracts were \$92.5 million in 2006, increasing \$4.6 million from the 2005 level of \$87.9 million. The 2004 level was \$79.7 million. As has been a trend for over the last decade, the University continues to grow its sponsored program base. Most notable in 2006 was the addition of daytaOhio, a Wright Center of Innovation created through the Ohio Governor's Third Frontier Program. daytaOhio is a market-driven research and development enterprise that partners with entrepreneurs and commercial businesses to develop ways to better utilize information in our knowledge economy. The University is excited about this activity as it believes it holds great promise for Ohio's future.

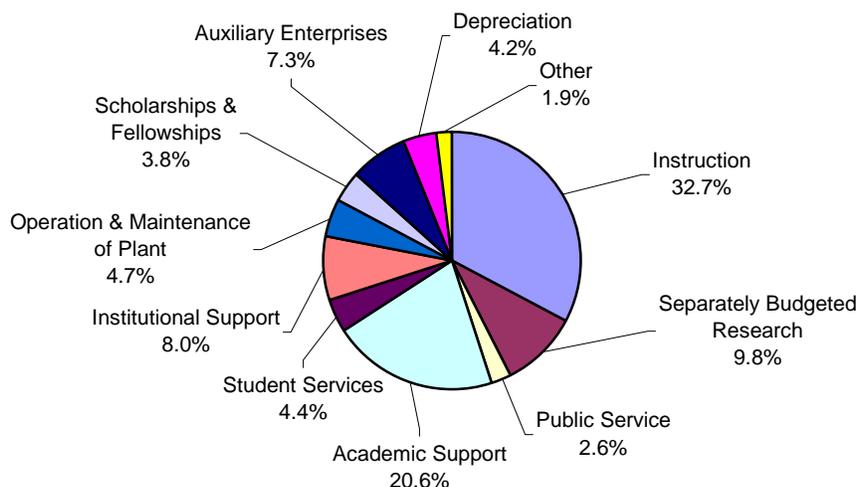
Auxiliary revenues increased \$1.0 million from \$14.4 million in 2005 to \$15.4 million in 2006. The primary increase, approximately \$.8 million, was due to increased revenues at the university's Nutter Center. The Nutter Center is a state of the art facility which hosts a wide array of events and performances including concerts, civic events, trade shows, as well as the university's own sporting and academic activities. The increase in revenues is simply a reflection of the number and type of events held in 2006 compared to 2005. Revenues in 2004 were \$14.9 million.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were \$7.1 million, \$7.4 million, and \$6.8 million for the years ended June 30, 2006, 2005 and 2004, respectively.

Investment income was \$8.8 million, \$5.0 million, and \$3.5 million in 2006, 2005, and 2004, respectively. The \$3.8 million increase in 2006 is due to the growth in university reserves available for investment, a good investment climate, and a change in the university's investment policy allowing for a greater level of investments in equities. The University also had an average of approximately \$20.0 million of unspent bond proceeds invested in 2006 from a December 2004 bond issuance. This produced additional income in 2006 over 2005. As can be seen from the \$1.5 million increase from 2004 to 2005, as well as the increase in 2006, the University has been experiencing increasingly favorable returns in recent years. The University is relying more and more upon these investment returns to supplement the shortfall of state appropriations.

Capital Appropriations, Gifts and Grants were \$22.0 million in 2006, an increase of \$16.5 million over the \$5.5 million realized in 2005. This increase was primarily the result of increased capital gifts amounting to \$9.7 million in 2006 for the expansion of engineering research facilities, the athletic pavilion, and software licenses for use by students in the Raj Sooin College of Business. In addition, the University received an increase in capital appropriations from the State of Ohio in the amount of \$6.2 million, primarily for the renovation and expansion of its science classrooms and laboratories. These revenues amounted to \$4.5 million in 2004.

The following is a graphic illustration of expenses by function for the year ended June 30, 2006.



Overall operating expenses were \$317.9 million in 2006 as compared to \$305.4 million and \$284.2 million in 2005 and 2004, respectively. Of the \$12.5 million increase in 2006, \$8.8 million represents an increase in employee compensation and benefits. These expenses rose from \$183.7 million to \$192.5 million, or only 4.8%. Given the average rate of health benefit increases in the current economic environment, the University is doing its best to hold down employee costs. Employee costs are the largest single expense category for the University and were also the largest single contributor to the 2005 increase in operating expenses. Utility costs also increased approximately \$1.6 million in 2006 over 2005 primarily from the increase in natural gas rates.

The results of the university's efforts to control spending look even better after deducting restricted sponsored activity (externally funded gifts and awards, including OhioLINK) from total operating expenses and factoring increasing enrollments into the calculation. During the last five fiscal years 2002 through 2006, spending per student FTE has increased approximately 7.7% in four years. That is less than 2% per year. After considering the double digit increases in health care, escalating utility rates, the ever increasing cost of technology, and routine personnel increases, the University believes it has done a very reasonable job of controlling overall expenditures. While increasing enrollments help, we believe this is also a product of sound fiscal management. The financial challenges are becoming more difficult to address, yet the University continues to find new and resourceful ways to meet those challenges in order

to keep tuition as affordable as possible for students and their families. Nonetheless, the University will also continue to emphasize to the Ohio elected officials the need for an increased State of Ohio investment in higher education to meet the needs of its citizens in this knowledge economy.

Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2006. A summary of the Statements of Cash Flows is as follows:

	2006	2005	2004
	<u>(All dollar amounts in thousands)</u>		
Cash provided (used) by:			
Operating activities	\$ (79,042)	\$ (87,505)	\$ (77,859)
Noncapital financing activities	97,901	97,913	96,089
Capital and related financing activities	(21,084)	20,751	(15,337)
Investing activities	<u>(25,986)</u>	<u>(7,861)</u>	<u>(7,497)</u>
Net (decrease)/increase in cash and cash equivalents	(28,211)	23,298	(4,604)
Cash and cash equivalents-beginning of year	65,574	42,276	46,880
Cash and cash equivalents-end of year	<u>\$ 37,363</u>	<u>\$ 65,574</u>	<u>\$ 42,276</u>

Cash and cash equivalents decreased \$28.2 million from 2005 to 2006. This is primarily the result of spending and reinvesting \$25.1 million of unspent bond proceeds that existed at June 30, 2005. While approximately \$10.5 million of the proceeds were spent on the capital projects for which they were intended, \$14.6 million was invested in order to maximize investment returns until the funds are needed. The remaining proceeds should be spent by the end of calendar 2007. Cash flows from operating activities increased \$8.5 million primarily as a result of an increase in cash collections from sponsors on grants and contracts. The University received approximately \$7.1 million more in cash from these collections in 2006. The net outflow of cash for capital and related financing activities of \$21.1 million is the result of all of the capital projects that were being performed during 2006, net of capital funding received from the State of Ohio. The net outflow of cash for investing activities of \$26 million is the result of the investment of unspent bond proceeds from 2005, additional investments of cash generated from operations, and \$4.1 million of endowment funds that the University transferred to the WSU Foundation. The change in cash and cash equivalents in 2005 from 2004 is primarily the result of receiving the bond proceeds from the December 2004 bond issuance offset somewhat by increases in the cash flow of some operating expenses.

Capital Assets and Debt

Capital Assets

The University had approximately \$253.2 million invested in capital assets, net of accumulated depreciation of \$176.5 million at June 30, 2006. Capital assets were \$228.6 million, net of accumulated depreciation of \$169.5 million at June 30, 2005. Depreciation expense for the years ended June 30, 2006 and 2005 was \$13.7 million and \$14.1 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	\$ 24,571	\$ 22,906	\$ 20,081
Buildings	164,371	162,503	167,146
Machinery and equipment	29,744	22,981	21,104
Library books and publications	18,187	18,673	18,926
Construction in progress	16,284	1,578	
Total capital assets - net	<u>\$ 253,157</u>	<u>\$ 228,641</u>	<u>\$ 227,257</u>

As is typical, the University performed routine, annual upgrades and maintenance of its facilities during 2006 in the form of electrical infrastructure improvements, maintenance of buildings, and improvements to its roads and parking lots. The University also neared completion of its implementation of its ERP suite of administrative software and capitalized another \$3.4 million in 2006 to bring the total capitalized costs for the project to \$10 million. This is reflected in machinery and equipment. The total project cost is still expected to be no more than \$15 million, not all of which will be capitalized. Other major projects either begun or continued from 2005 include the expansion of engineering space to be utilized primarily by daytaOhio for research and development and commercialization of information technology, renovation of the Student Union and Frederick A. White Center, and the creation and renovation of science labs. These projects comprise the \$14.7 million increase in construction in progress during 2006. All of these projects other than the science labs are scheduled to be completed in 2007. In addition during 2006, a state of the art athletic pavilion valued at \$4.1 million was donated to the University for use by the men's and women's basketball teams.

Debt

The University issued no new debt in 2006, however it still had unspent bond proceeds from its \$31.4 million general receipts bond issuance from December 2004. 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. Those projects, except for the parking and road improvements, are continuing into 2007. The University received a bond rating for this issue from Moody's Investors Service of A2. That rating remains unchanged.

Outstanding debt was \$42.5 million, \$46.2 million, and \$16.5 million at June 30, 2006, 2005, and 2004, respectively. These amounts are quite modest by contemporary standards, providing another indication of our conservative financial management. The 2006 balance of \$42.5 million includes \$42 million of outstanding bonds and equipment leases of \$.5 million.

Economic Factors That Will Affect the Future

The University has continued to maintain strong financial and programmatic performance. With growing enrollments and sound conservative management, university leaders have been able to keep the University moving forward in accomplishment of its strategic objectives. However, there is ample reason for concern. The State of Ohio's funding for higher education, chronically low during years when our robust manufacturing economy seemed to have little need for advanced learning, continues to stagnate as we are confronted with a new knowledge economy for which many Ohioans are unprepared. In addition, the university's enrollment growth is slowing. These two factors alone make the continuing challenge of finding alternative resources that much more difficult and important. This has remained the message since the beginning of the millennium. Every year that passes is one more year Ohio falls behind and is more severely challenged to provide the type of education that is necessary in today's knowledge economy. Management remains focused, though, and is prepared to make the decisions necessary to further the University without unduly burdening the students. The pressures of increasing tuition will unfortunately remain, but the University has made strides in producing alternative revenue

sources to supplement state support and student tuition and fees. The results of our recently concluded capital campaign and the university's growing investment income are examples. Programs like the Governor's Third Frontier Program and creation of daytaOhio provide another example of how the University is involved with new initiatives we expect will bring long-term positive change to the region and state. These alone are not enough, though. For Ohioans to be successful in the long term, their government must recognize its role in supporting higher education.

The University is also confronted with the same business challenges all enterprises are addressing. Rising costs in health care, utilities, and technology are an annual struggle. The University is also at an age where our facilities are in growing need of repair, renovation, or replacement. The university's most important asset, its faculty and staff, must also not be forgotten. It is they who serve our students. Determining how all of these priorities and needs are to be addressed will be the university's ongoing challenge.

With all of these challenges facing the University, management is determined to address each one successfully. We are confident that if we continue in a fiscally prudent manner, sensitive to the ever changing needs of the students, that we can provide the education necessary to enable our students to rise to the many challenges the future holds.

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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, 2006 and 2005, and its revenues and expenses and changes in net assets and cash flows for the year 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 13 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2006 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, 2006. 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.

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The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

PriceWaterhouseCoopers LLP

October 2, 2006
Dayton, Ohio

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WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2006 and 2005

ASSETS	2006		2005	
	University	Foundation	University	Foundation
Current assets:				
Cash and cash equivalents	\$ 37,363,372	\$ 294,258	\$ 40,449,695	\$ 2,246,678
Short-term investments	4,673,067		6,741,695	
Accounts receivable (net of allowance for doubtful accounts of \$960,000 in 2006 and \$840,000 in 2005 - Note 3)	25,326,889		21,930,741	
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$100 in 2006 and \$200 in 2005)		2,090,118		4,036,296
Loans receivable (net of allowance for doubtful loans of \$1,748,000 in 2006 and \$1,600,000 in 2005)	2,898,171		3,125,141	
Inventories	750,880		784,777	
Prepaid expenses	12,655,580		7,431,664	
Deferred charges	3,007,715		4,032,236	
Total current assets	86,675,674	2,384,376	84,495,949	6,282,974
Noncurrent assets:				
Restricted cash and cash equivalents			25,124,439	
Restricted investments	15,534,365		929,228	
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$15,900 in 2006 and \$15,100 in 2005)		9,506,482		8,318,604
Loans receivable (net of allowance for doubtful loans of \$171,500 in 2006 and \$170,000 in 2005)	16,980,390		16,816,569	
Other assets	1,031,844	687,144	5,960,572	290,751
Other long-term investments	87,717,891	92,028,208	70,317,642	81,783,150
Capital assets, net (Note 4)	253,156,965	650,000	228,640,829	650,000
Total noncurrent assets	374,421,455	102,871,834	347,789,279	91,042,505
Total assets	\$ 461,097,129	\$ 105,256,210	\$ 432,285,228	\$ 97,325,479
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable trade and other	\$ 10,090,309	\$ 36,719	\$ 9,945,829	\$ 25,992
Accounts payable to Wright State University		454,158		1,288,630
Accrued liabilities	13,568,515		10,592,741	
Deferred revenue (Note 1)	34,987,437		34,896,202	
Refunds and other liabilities	578,727	1,251,716	415,478	1,163,972
Current portion of long-term liabilities (Note 5)	8,775,587	1,047,378	9,076,137	1,066,662
Total current liabilities	68,000,575	2,789,971	64,926,387	3,545,256
Noncurrent liabilities:				
Long-term liabilities (Note 5)	48,238,090	517,222	51,113,683	253,238
Total noncurrent liabilities	48,238,090	517,222	51,113,683	253,238
Total liabilities	116,238,665	3,307,193	116,040,070	3,798,494
 Net assets:				
Invested in capital assets, net of related debt	226,597,293	650,000	206,593,815	650,000
Restricted - nonexpendable:				
Instruction and departmental research		10,849,640		14,394,309
Separately budgeted research		338,707	357,337	339,229
Public service		161,622		161,899
Academic support		443,077		444,015
Student services		9,981		10,000
Plant operation and maintenance		4,516,223		
Scholarships and fellowships		9,887,322	1,003,500	8,925,165
Auxiliaries		207,349		59,521
Other			3,044	
Restricted - expendable:				
Instruction and departmental research	34,458	43,505,993	124,086	40,312,716
Separately budgeted research	205,304	2,613,759	1,739,012	2,734,648
Public service	43,595	553,202		627,797
Academic support	32,595	1,337,616		1,503,906
Student services		155,402		90,370
Institutional support	27,351	7,443,084		3,466,609
Plant operation and maintenance		687,970		3,199,567
Scholarships and fellowships	4,422	15,789,935	892,581	14,296,497
Loans	18,094,645		17,989,166	
Debt service	233,280		212,846	
Auxiliaries		379,205		754,112
Other				51,250
Unrestricted	99,585,521	2,418,930	87,329,771	1,505,375
Total net assets	344,858,464	101,949,017	316,245,158	93,526,985
Total liabilities and net assets	\$ 461,097,129	\$ 105,256,210	\$ 432,285,228	\$ 97,325,479

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005

	2006		2005	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$23,970,000 in 2006 and \$22,180,000 in 2005)	\$ 107,292,871	\$	\$ 99,537,222	\$
Federal grants and contracts	41,795,922		40,737,276	
State grants and contracts	9,905,175		7,077,822	
Local grants and contracts	570,169		393,370	
Nongovernmental grants and contracts	40,270,119		39,645,487	
Sales and services	7,142,562		7,429,022	
Auxiliary enterprises sales (net of scholarship allowances of \$1,685,000 in 2006 and \$1,552,000 in 2005)	15,375,644		14,444,110	
Gifts and contributions		5,290,737		36,384,024
Other operating revenues	2,183,707		1,745,670	
Total operating revenues	224,536,169	5,290,737	211,009,979	36,384,024
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	106,035,566		101,791,470	
Separately budgeted research	31,905,803		27,075,511	
Public service	8,322,606		8,096,329	
Academic support	66,785,687		66,468,446	
Student services	14,171,292		13,442,514	
Institutional support	25,896,285	416,173	25,228,720	506,287
Operation and maintenance of plant	15,399,134		14,230,982	
Scholarships and fellowships	12,184,925		12,343,062	
Total educational and general	280,701,298	416,173	268,677,034	506,287
Auxiliary enterprises	23,565,136		22,631,270	
Depreciation	13,651,413		14,125,353	
Total operating expenses	317,917,847	416,173	305,433,657	506,287
Operating (loss)/revenue	(93,381,678)	4,874,564	(94,423,678)	35,877,737
NONOPERATING REVENUES (EXPENSES):				
State appropriations	91,795,796		93,098,926	
Gifts	5,466,331		5,223,690	
Investment income (net of investment expenses of \$195,000 in 2006 and \$213,000 in 2005 for WSU and \$228,011 in 2006 and \$94,152 in 2005 for Foundation)	8,773,951	11,487,860	4,966,601	4,984,463
Interest on capital asset-related debt	(1,256,256)		(1,057,776)	
Payments to Wright State University		(7,940,392)		(5,358,363)
Other nonoperating revenues (expenses)	(4,824,764)		1,686	
Net nonoperating revenues before capital appropriations and capital grants	99,955,058	3,547,468	102,233,127	(373,900)
Capital appropriations from the State of Ohio	10,916,047		4,677,609	
Capital grants and gifts	11,123,879		801,233	
Total nonoperating revenues (net)	121,994,984	3,547,468	107,711,969	(373,900)
Increase in net assets	28,613,306	8,422,032	13,288,291	35,503,837
NET ASSETS				
Net assets - beginning of year	316,245,158	93,526,985	302,956,867	58,023,148
Net assets - end of year	\$ 344,858,464	\$ 101,949,017	\$ 316,245,158	\$ 93,526,985

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2006</u>	<u>2005</u>
Student tuition and fees	\$ 106,383,559	\$ 99,783,102
Federal, state, local, and nongovernmental grants and contracts	90,817,891	83,727,792
Sales and services of educational and other departmental activities	5,786,935	7,445,420
Payments to employees	(151,476,988)	(145,300,030)
Payments for benefits	(37,991,223)	(37,623,731)
Payments to suppliers	(96,310,682)	(96,463,877)
Payments for scholarships and fellowships	(11,610,146)	(12,760,886)
Student loans issued	(4,615,057)	(4,786,168)
Student loans collected	4,678,205	4,023,097
Student loan interest and fees collected	362,011	327,283
Auxiliary enterprise sales	14,933,307	14,122,645
	<hr/>	<hr/>
Net cash (used) by operating activities	(79,042,188)	(87,505,353)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	91,795,796	93,098,926
Gifts	6,105,577	4,814,419
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	97,901,373	97,913,345
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	10,993,515	3,051,097
Capital grants received	3,873,550	801,233
Purchases of capital assets	(31,056,560)	(11,819,887)
Sales of capital assets	38,364	70,320
Proceeds from capital debt		32,299,216
Principal paid on capital debt and leases	(3,676,143)	(2,593,517)
Interest paid on capital debt and leases	(1,256,256)	(1,057,776)
	<hr/>	<hr/>
Net cash (used)/provided in capital and related financing activities	(21,083,530)	20,750,686
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	68,159,112	78,356,127
Interest on investments	4,439,602	3,555,220
Purchase of investments	(98,585,131)	(89,771,806)
	<hr/>	<hr/>
Net cash (used) in investing activities	(25,986,417)	(7,860,459)
 Net (Decrease)/Increase in Cash and Cash Equivalents		
	(28,210,762)	23,298,219
Cash and Cash Equivalents - Beginning of Year	65,574,134	42,275,915
	<hr/>	<hr/>
Cash and Cash Equivalents - End of Year	\$ 37,363,372	\$ 65,574,134
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

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

	<u>2006</u>	<u>2005</u>
Operating loss	\$ (93,381,678)	\$ (94,423,678)
Depreciation	13,651,413	14,125,353
Change to allowance for doubtful accounts	120,000	60,000
Change to allowance for doubtful loans	150,000	25,000
Changes in assets and liabilities:		
Accounts receivable	(4,273,056)	(1,078,866)
Inventory	33,897	(16,131)
Prepaid expenses	(5,651,139)	2,717,415
Deferred charges	1,024,521	79,359
Other assets	4,928,728	(4,931,345)
Accounts payable	711,720	(1,001,147)
Accrued liabilities	2,975,774	771,457
Deferred revenue	91,235	(3,917,216)
Compensated absences	500,000	900,000
Refunds and other liabilities	163,248	(27,484)
Loans to students and employees	(86,851)	(788,070)
Net cash (used) by operating activities	<u>\$ (79,042,188)</u>	<u>\$ (87,505,353)</u>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2006

(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 approximately 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. 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, 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. 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 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

Wright State University

Notes to Financial Statements
(Continued)

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, 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. As of June 30, 2005, there was approximately \$2,758,000 of net appreciation on investments of donor-restricted endowments available for expenditure which is included as "restricted-expendable" net assets in the Statement of Net Assets. The university's endowment funds were transferred to the Foundation during June 2006 in the amount of \$4.1 million and are included in "other nonoperating revenues" in the Statement of Revenues, Expenses, and Changes in Net Assets. Therefore, there are no endowment related "restricted-expendable" net assets included in the June 30, 2006 Statement of Net Assets.

Inventories

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

Capital Assets

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized.

Wright State University

Notes to Financial Statements (Continued)

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 \$25.2 million and \$8.8 million, respectively, for the year ended June 30, 2006 and \$22.6 million and \$10.8 million, respectively, for the year ended June 30, 2005.

Net Assets

Net assets are classified as follows: Invested in capital assets, net of related debt represents the value of capital assets less accumulated depreciation and the debt related to acquisition, or construction of the asset. Restricted - Nonexpendable are comprised primarily of gifts which are subject to external restrictions requiring that the principal be invested in perpetuity and that only the cumulative earnings be utilized. Restricted - Expendable represents resources that have been received and must be used for specific 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 recurring nonoperating expenses are net losses on the disposition of capital assets and interest expense on capital assets-related debt.

Scholarship Allowances

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

Wright State University
Notes to Financial Statements
(Continued)

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 2005 comparative information to conform to the 2006 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, 2006 and 2005, the university's bank balances are \$28,210,191 and \$71,564,465, respectively. Of these balances, \$25,213,761 and \$70,113,383, respectively, are uninsured with collateral held by pledging banks not in the university's name.

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

		2006		2005
Petty cash	\$	67,529	\$	70,422
Demand deposits		19,265,619		63,301,420
Certificate of deposit				2,822,753
Money market funds		2,391,772		1,765,667
Total	\$	21,724,920	\$	67,960,262

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

Wright State University
Notes to Financial Statements
(Continued)

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	
	2006	2005
U.S. Treasury securities	\$ 10,879,786	\$ 12,924,407
U.S. Agency securities	14,981,398	8,199,628
Common and preferred stock	472,638	379,280
Corporate bonds and notes	5,780,573	9,432,441
Repurchase agreements	15,531,896	
State Treasury Asset Reserve of Ohio	15,640,921	1,365,853
Equity mutual funds	55,033,646	41,048,884
Bond mutual funds	5,239,717	2,248,744
Other	3,200	3,200
Total	\$ <u>123,563,775</u>	\$ <u>75,602,437</u>

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 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.

Wright State University

Notes to Financial Statements
(Continued)

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

Investment Type	2006 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 10,879,786	\$ 999,422	\$ 7,066,083	\$ 2,102,904	\$ 711,377
U.S. Agency securities	14,981,398	2,982,180	3,591,180	3,341,059	5,066,979
Corporate bonds and notes	5,780,573	626,835	3,171,552	794,532	1,187,654
Repurchase agreements	15,531,896	13,446,704	2,085,192		
Bond mutual funds	5,239,717		5,239,717		
Total	\$ 52,413,370	\$ 18,055,141	\$ 21,153,724	\$ 6,238,495	\$ 6,966,010

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	\$ 32,805,220	\$ 3,918,948	\$ 18,535,983	\$ 3,235,311	\$ 7,114,978

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, 2006 and 2005, the total value of mortgage pass-through securities is \$8,917,269 and \$4,234,713, 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
Notes to Financial Statements
(Continued)

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

<u>2006</u>							
Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
AAA/Aaa	\$ 58,794,054	\$ 10,879,786	\$ 14,981,398	\$ 1,760,053	\$ 15,531,896	\$ 15,640,921	
AA/Aaa	5,929,448			689,731			5,239,717
A	2,401,854			2,401,854			
BBB/Baa	741,193			741,193			
BB/Ba	187,742			187,742			
Total	\$ 68,054,291	\$ 10,879,786	\$ 14,981,398	\$ 5,780,573	\$ 15,531,896	\$ 15,640,921	\$ 5,239,717

<u>2005</u>							
Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
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	\$ 34,171,073	\$ 12,924,407	\$ 8,199,628	\$ 9,432,441	\$	\$ 1,365,853	\$ 2,248,744

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, 2006 and 2005, \$16,968,381 and \$14,706,261, 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 apply to investments in U.S. Securities. Equity and fixed income managers are required to limit

Wright State University

Notes to Financial Statements
(Continued)

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, 2006 and 2005, the university's portfolio includes one issuer that exceeds five percent of the university's total investments. The University holds \$6,515,914 in multiple Federal National Mortgage Association (FNMA) issues which represent 5.27 percent of the university's total investments at June 30, 2006. Comparatively at June 30, 2005, the University holds \$4,955,094 in various FNMA issues which represent 6.55 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, 2006 and 2005, the University holds investments in foreign mutual funds of \$13,349,089 and \$8,980,793 respectfully. In addition, foreign currency exposure at June 30 includes the following:

Investment	Currency	Fair Value		Rating
		2006	2005	
Brazil Government Bond	Brazilian Real	\$	\$ 162,015	B
Canadian Government Bond	Canadian Dollar		65,142	AAA
Colombia Government Bond	Columbian Peso		18,240	BB
German Corporate Bond	Euro	166,029		AAA
Japan Government Bond	Japanese Yen	382,288	289,721	A
Norwegian Government Bond	Norwegian Krone		65,534	AAA
Panama Government Bond	Panamanian Balboa		82,580	BB
Switzerland Government Bond	Swedish Krona	58,556		AAA
Total		\$	\$ 683,232	

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, 2006 and 2005.

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, 2006, \$15,531,896 of the proceeds remains unspent. The unspent proceeds are held in a Bond Market Association Master Repurchase Agreement with Citigroup Global Markets, Inc. which was finalized on July 1, 2005. The Bank of New York acts as the 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 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. These funds, in addition to small balances held in JPMorganChase trust accounts for the payment of Series 2003 and 2004 Bond interest

Wright State University

Notes to Financial Statements
(Continued)

payments, equal \$15,534,365 and are classified as restricted investments at June 30, 2006. These small trust account balances are included in the money market funds total of \$2,391,772.

Comparatively as of June 30, 2005, the unspent bond proceeds are \$26,052,395. Of this amount, \$25,124,439 is considered restricted cash and is included in the demand deposit balance of \$63,301,420. 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:

	<u>Year Ended June 30</u>	
	<u>2006</u>	<u>2005</u>
Net interest and dividend income	\$ 4,935,621	\$ 3,062,644
Realized (losses)/gains on sales	(490,908)	512,527
Unrealized gains in fair value	<u>4,329,238</u>	<u>1,391,430</u>
Total	<u>\$ 8,773,951</u>	<u>\$ 4,966,601</u>

(3) Accounts Receivable

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

	<u>2006</u>	<u>2005</u>
Sponsor receivables	\$ 14,367,395	\$ 9,903,742
Student accounts	8,258,283	7,805,023
Wright State University Foundation	454,515	1,288,630
Investment trade receivables	156,049	187,142
Interest receivable	241,513	250,614
State appropriations	1,956,978	2,377,090
Other, primarily departmental sales and services	<u>852,156</u>	<u>958,500</u>
Total	26,286,889	22,770,741
Less: Allowance for doubtful accounts	<u>960,000</u>	<u>840,000</u>
Net accounts receivable	<u>\$ 25,326,889</u>	<u>\$ 21,930,741</u>

Wright State University
Notes to Financial Statements
(Continued)

(4) Capital Assets

Capital assets activity for the years ended June 30, 2006 and 2005 is summarized as follows:

	Balance 07/01/2005	Additions	Retirements	Balance 06/30/2006
Land	\$ 3,049,830	\$	\$	\$ 3,049,830
Land improvements and infrastructure	27,425,353	2,574,042		29,999,395
Buildings	255,868,443	8,233,245		264,101,688
Machinery and equipment	59,630,643	11,579,279	(3,627,686)	67,582,236
Library books and publications	50,586,902	1,824,323	(3,770,875)	48,640,350
Construction in progress	1,578,304	14,705,582		16,283,886
Total	398,139,475	38,916,471	(7,398,561)	429,657,385
Less accumulated depreciation:				
Land improvements and infrastructure	7,569,860	908,551		8,478,411
Buildings	93,365,306	6,365,654		99,730,960
Machinery and equipment	36,649,825	4,329,306	(3,140,725)	37,838,406
Library books and publications	31,913,655	2,047,902	(3,508,914)	30,452,643
Total accumulated depreciation	169,498,646	13,651,413	(6,649,639)	176,500,420
Capital assets, net	\$ 228,640,829	\$ 25,265,058	\$ (748,922)	\$ 253,156,965

Wright State University

Notes to Financial Statements
(Continued)

	Balance 07/01/2004	Additions	Retirements	Balance 06/30/2005
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>
Total	385,570,375	15,578,365	(3,009,265)	398,139,475
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	<u>30,166,048</u>	<u>2,281,309</u>	<u>(533,702)</u>	<u>31,913,655</u>
Total accumulated depreciation	<u>158,313,923</u>	<u>14,125,353</u>	<u>(2,940,630)</u>	<u>169,498,646</u>
Capital assets, net	<u>\$ 227,256,452</u>	<u>\$ 1,453,012</u>	<u>\$ (68,635)</u>	<u>\$ 228,640,829</u>

Wright State University
Notes to Financial Statements
(Continued)

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance 07/01/05	Additions	Principal Repayments Reductions	Ending Balance 06/30/06	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 45,405,933		\$ 3,439,654	\$ 41,966,279	\$ 3,564,055
Equipment leases	<u>783,887</u>		<u>236,489</u>	<u>547,398</u>	<u>211,532</u>
Total bonds and equipment leases	46,189,820		3,676,143	42,513,677	3,775,587
Other liabilities:					
Compensated absences	<u>14,000,000</u>	<u>4,648,443</u>	<u>4,148,443</u>	<u>14,500,000</u>	<u>5,000,000</u>
Total other liabilities	<u>14,000,000</u>	<u>4,648,443</u>	<u>4,148,443</u>	<u>14,500,000</u>	<u>5,000,000</u>
Total long-term liabilities	<u>\$ 60,189,820</u>	<u>\$ 4,648,443</u>	<u>\$ 7,824,586</u>	<u>\$ 57,013,677</u>	<u>\$ 8,775,587</u>

Bonds payable on June 30, 2006 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, 2006 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2006-2023	3.00% - 5.00%	\$ 11,420,000	\$ 422,139	\$ 11,842,139
Series 2004	2006-2029	2.50% - 5.00%	<u>29,220,000</u>	<u>904,140</u>	<u>30,124,140</u>
Total bonds payable			40,640,000	1,326,279	41,966,279
Equipment lease purchase obligations	2006-2009	4.55%	<u>547,398</u>		<u>547,398</u>
Total			<u>\$ 41,187,398</u>	<u>\$ 1,326,279</u>	<u>\$ 42,513,677</u>

Wright State University
Notes to Financial Statements
(Continued)

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

Year Ended June 30	Principal	Interest	Total
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	3,855,000	1,174,813	5,029,813
2012-2016	9,575,000	4,240,786	13,815,786
2017-2021	6,410,000	2,405,125	8,815,125
2022-2026	4,090,000	1,108,625	5,198,625
2027-2029	<u>2,410,000</u>	<u>220,050</u>	<u>2,630,050</u>
Total	<u>\$ 41,187,398</u>	<u>\$ 15,129,747</u>	<u>\$ 56,317,145</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, 2006 and 2005 was \$1,256,256 and \$1,057,776 respectively. In 2006, interest expense on construction related debt of \$1,188,888, net of \$783,590 interest earned on invested funds, was capitalized to the related capital projects. 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.

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 purchase and installation of an administrative software system, the renovation and expansion of certain science facilities and laboratories, the renovation of the Student Union and the Frederick A. White Center and the construction of various parking and road improvements.

(6) Operating Leases

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the balance sheet. Rent expenses for the years ended June 30, 2006 and 2005 were \$865,155 and \$652,893, respectively.

Wright State University
Notes to Financial Statements
(Continued)

Future minimum payments for all material operating leases as of June 30, 2006, are as follows:

2007	\$ 1,080,584
2008	658,499
2009	617,614
2010	322,547
2011	305,417
2012-2014	<u>594,672</u>
 Total minimum lease payments	 <u>\$ 3,579,333</u>

(7) 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.

STRS plan participants are required to contribute 10% and the University 14.0% of the employees' covered compensation. Through December 31, 2005, OPERS plan participants were required to contribute 8.5% and the University 13.31% of the employees' covered compensation. As of January 1, 2006, OPERS plan participants contribute 9% and the University 13.56% of the employees' covered compensation. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$8,281,427, \$7,439,443, and \$7,488,699, and to OPERS were \$6,992,318, \$6,609,430, and \$6,360,369, for the years ended June 30, 2006, 2005, and 2004, 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 rate for plan participants is 10% of employees' covered compensation for employees who would otherwise participate in STRS. Through December 31, 2005, the required contribution rate for plan participants was 8.5% of employees' covered compensation for employees who would otherwise participate in OPERS. As of January 1, 2006, the University contributes 9% of employees' covered compensation for employees who would otherwise participate in OPERS. The University contributed 13.31% of a

Wright State University

Notes to Financial Statements
(Continued)

participating unclassified staff member's compensation to the participant's account through December 31, 2005. As of January 1, 2006, the University contributes 13.56% of a participating unclassified staff member's compensation to a participant's account. The university's contributions to a participating faculty member's account and to STRS is 10.5% and 3.5% of a participant's compensation, respectively. Plan participants' contributions were \$2,942,750, \$2,710,308, and \$2,430,747, and the university's contributions to the plan providers amounted to \$3,619,167, \$3,356,861, and \$3,065,869, respectively, for the years ended June 30, 2006, 2005, and 2004. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$708,511, \$656,623, and \$573,143, respectively, for the years ended June 30, 2006, 2005, and 2004.

(8) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under 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 effective 13.44 percent (see note 7) 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 \$3.3 billion at June 30, 2005. The number of benefit recipients eligible for OPEB was 115,395 for STRS at June 30, 2005. The amount contributed by the University to STRS to fund these benefits was \$591,531 for the year ended June 30, 2006.

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, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. The number of OPERS active contributing participants was 376,109 for the year ended December 31, 2005. For the year ended June 30, 2006 the University contributed \$2,081,822 to OPERS for OPEB funding.

(9) 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 \$105,000,000 at June 30, 2006. 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" and "capital grants and gifts" in the accompanying financial statements.

(10) 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

Wright State University

Notes to Financial Statements
(Continued)

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 general obligation 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.

(11) Commitments and Contingencies

At June 30, 2006, the University is committed under contractual obligations for:

Capital expenditures	\$ 21,737,634
Non-capital goods and services	<u>6,606,714</u>
Total contractual commitments	<u>\$ 28,344,348</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 6,700,099
University funds	<u>21,644,249</u>
Total sources	<u>\$ 28,344,348</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.

Wright State University
Notes to Financial Statements
(Continued)

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

(12) 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 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.

Wright State University
Notes to Financial Statements
(Continued)

(13) Pledges Receivable

Pledges receivable at June 30, 2006 and 2005, by fund type, are as follows:

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	\$ 33,213	\$ 2,461,360	\$ 1,061,620	\$ 3,556,193
One to five years	887	5,194,984	2,067,630	7,263,501
Gross pledges receivable	<u>34,100</u>	<u>7,656,344</u>	<u>3,129,250</u>	<u>10,819,694</u>
Present value discount		(409,044)	(113,550)	(522,594)
Allowance for uncollectible pledges	<u>(100)</u>	<u>(15,400)</u>	<u>(500)</u>	<u>(16,000)</u>
Pledges receivable (net)	<u>\$ 34,000</u>	<u>\$ 7,231,900</u>	<u>\$ 3,015,200</u>	<u>\$ 10,281,100</u>

	2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>\$ 58,400</u>	<u>\$ 7,452,600</u>	<u>\$ 3,296,100</u>	<u>\$ 10,807,100</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.

(14) Investments in Securities

The cost and fair value of the Foundation's investments, at June 30, 2006 and 2005, are as follows:

	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
Equity	\$ 57,419,234	\$ 61,848,306	\$ 51,549,101	\$ 52,034,369
Fixed income	<u>30,086,314</u>	<u>28,778,465</u>	<u>29,033,787</u>	<u>28,990,583</u>
Total	<u>\$ 87,505,548</u>	<u>\$ 90,626,771</u>	<u>\$ 80,582,888</u>	<u>\$ 81,024,952</u>

Wright State University

Notes to Financial Statements
(Continued)

Net realized gains on sales of investments were \$2,681,645 and \$2,483,723 for the years ended June 30, 2006 and 2005, 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, 2006

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
U.S. Department of Education Direct Programs:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 343,177
National Science Scholars Program	84.242	
Federal Family Education Loans (Note B)	84.032	
Federal Work Study	84.033	940,830
Federal Perkins Loan (Note C)	84.038	
Federal Pell Grant	84.063	<u>8,926,988</u>
Total U.S. Department of Education Direct Programs		<u>10,210,995</u>
U.S. Department of Health and Human Services Direct Programs:		
Loans to Disadvantaged Students (Note C)	93.342	
Health Professions Student Loans (Note C)	93.342	
Primary Care Loans (Note C)	93.342	
Nursing Student Loans (Note C)	93.342	
Scholarships for Disadvantaged Students (Medicine)	93.925	436,948
Financial Assistance for Disadvantaged Students (Medicine)	93.139	
Scholarships for Disadvantaged Students Program (SOPP)	93.925	<u> </u>
Total U.S. Department of Health and Human Services Direct Programs		<u>436,948</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		<u>10,647,943</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, 2006**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER:		
U.S. Department of Education, Prime -		
Rehabilitation Research and Training Centers (RRTC) on Substance Abuse, Disability, and Employment	84.133	\$ 750,745
U.S. Department of Education, Subcontract -		
Adapting Prevention Education for Youth with Disabilities	84.186	69,792
Pals Prevention Project 2005 Prevention Ed Future	84.027	48,321
PALS Prevention Project 2006 - Preparing for Prevention Education in the Future	84.027	64,640
Teaching American History Evaluation Plan	84.215	7,595
Total U.S. Department of Education, Subcontract		190,348
Total U.S. Department of Education		941,093
U.S. Department of Health and Human Services, Prime -		
Adiposity, Disease Risk Factors, and Lifetime Health	93.865	899,119
Aging and Pilot Time-Sharing Performance	93.866	55,922
Analysis of Interactions Between Rev and Microtubules	93.859	9,409
Analysis of the Human c-myc Gene Replication Origin	93.862	251,493
Cell Volume Regulation in Neurons and Glia	93.853	317,686
Childhood Precursors for Adulthood Metabolic Syndrome	93.847	253,845
Crack and Health Service Use: A Natural History Approach	93.279	389,418
Crack Cocaine and Health Services Use in Rural Ohio	93.279	546,786
Deciphering How Mdmx Impacts the p53 Pathway	93.396	68,353
Development of Synaptic Inputs on Spinal Interneurons	93.853	308,009
Early Life Antecedents of Adult Chronic Disease	93.847	13,114
Effects of Chronic Hypercapnia on Chemosensitive Neurons	93.838	40,022
Environmental Light and Retinal Membrane Development	93.867	2,829
Evolution of Axial Specification in Caenorhabditis	93.390	800
Fels Database Mining	93.262	2,015
Fels Study Hearing Updates	93.262	6,439
Functional Assemblies of Motor Units	93.853	33,202
Genetic Architecture of the Human Craniofacial Complex	93.121	276,748
Genetic Analysis of Osteoporosis Risk Factors	93.846	233,837
Genetic and Environmental Influences on Childhood Growth	93.865	407,966
Genetic Architecture of the Baboon Craniofacial Complex	93.121	73,283
Genetic Epidemiology of CVD Risk Factors	93.837	636,834
Genetic Regulation of Adiposity and Associated CVD Risks	93.848	577,215
Higher Order Mechanisms in Color Discrimination	93.867	715
Hypoxia Regulates Trophoblast Giant Cell Differentiation	93.865	58,134
Identifying Placebo Responders in Drug Treated Subjects	93.242	162,350
Intergovernmental Personnel Agreement - Demerath	93.156	15,237
Intracellular pH Responses of Central Chemoreceptors	93.838	90,413
Longitudinal Cardiac Outcomes and Body Composition	93.837	388,255
Loss of Muscle Excitability in Acute Quadriplegic Myopathy	93.853	152,439
MDMA/Club Drug Use and STD/HIV Sex Risk Behavior in Ohio	93.279	530,990
MdmX Regulation of the p53 Tumor Suppression Protein	93.396	44,089
Mechanisms of Mammalian Neuronal Integration	93.853	320,305
Molecular Basis of GM-CSF-Induced Neutrophil Chemotaxis	93.837	446,170
MVPS: Health Concerns Role Function Health Service Use	93.361	1,400
NHLBI Cardiovascular Disease Enhanced Dissemination and Utilization Centers	93.837	69,409
Olympus FV1000 Confocal Microscope for Neurobiology and Cellular Biology Research	93.389	322,211
Proteomics of M-L Antigens Modulating Cation Transport	93.849	22,627
Recognition and Repair of Cisplatin-DNA Damage	93.395	8,529
Reducing Barriers to Drug Abuse Treatment Services	93.279	950,160
Regulation of Neurotransmitter Release by rab GTPases	93.242	44,530
Regulation of Secretory Ion Channels in Colonic Crypts	93.848	245,541

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Health and Human Services, Prime (Continued) -		
Regulation of Spinal Interneuron Input-Output Functions	93.854	\$ 54,010
Role of Angiotensin Receptors in Central Osmosensitivity (Minority Supplement)	93.837	399,215
Scabies: Biology Culture Host Specificity and Antigens	93.855	143,890
Sexual Maturity for U.S. Children: Relationship with Growth	93.865	256,121
Short-Term Training for Minority Students (STREAMS) at Wright State University	93.837	56,825
Stress-Induced Sickness Behavior During Separation	93.242	56,521
Telomere Length as a Marker of Cardiovascular Aging	93.866	65,538
Vasopressin Cytotoxicity in Inherited Diabetes Insipidus	93.847	180,630
Visceral Adiposity: Genetic and Environmental Influences	93.848	333,743
Wright State University Emergency Power and Quarantine Caging	93.389	23,403
Total U.S. Department of Health and Human Services, Prime		10,847,744
U.S. Department of Health and Human Services, Subcontract -		
Age-Related Services & Outcomes after DUI Interventions	93.849	147,241
Benzod-Induced Gluta Recep Plast	93.279	14,279
Cost Effectiveness of Interventions to Reduce Barriers to Drug Abuse Treatment	93.279	114,726
DCOP Fiscal Agency Renewal (06/04 - 05/09)	93.399	802,029
DNA Replication Fork: Pausing Recombination and Disease	93.849	101,422
Early Detection of Hemorrhagic Fever Virus Exposure	93.856	32,466
Effect of Interferon-Gamma Peptide Mimetics on HSV-1 Replication & Cell Biology	93.389	13,299
Harvard Emergency Medicine Safety Study	93.226	4,995
Mechanisms Of Muscle Sensory Recovery	93.853	89,304
Metabolomic Assessment of Estrogenic Endocrine Disruptor	93.113	132,163
Motion Detector Networks for Smooth Pursuit	93.061	49,878
Muscle's Role in Regulating Nerve Terminal Properties	93.853	88,129
Neural Plasticity During Acclimatization to Hypoxia	93.838	29,703
Probe Assisted PET/CT Guided Surgery for Colon Cancer	93.286	93,541
Rural Stimulant Use and Mental Health: Services and Outcomes	93.279	217,088
Spinal Mechanisms Regulating Muscle & Limb Mechanics	93.853	27,710
State Epidemiological Outcome Workgroup (SEOW)	93.959	13,399
Tamoxifen Pharmacogenetics	93.859	19,691
The Epidemiology of Body Mass Index Rebound	93.837	83,045
Validation of Preschool and High School Diet Recall	93.393	41,059
Total U.S. Department of Health and Human Services, Subcontract		2,115,167
Total U.S. Department of Health and Human Services		12,962,911
U.S. Department of Defense, Prime -		
An Evaluation of the Therapeutic Effectiveness of Hyperbaric Oxygen Treatments on Children with Cerebral Palsy	12.420	186,360
BreakFree CLP	12.800	8,461
Cellular Mechanisms of Central Nervous System and Pulmonary Oxygen Toxicity	12.300	210,189
Characterization of Hyperspectral Images for Automated Target Detection and Recognition	12.800	52,534
Collaborative Research on Multisensory Interaction	12.800	92,632
Computational Aerothermodynamics	12.800	32,665
Coordination and Control of Cooperative Swarms of Unmanned Aerial Combat Vehicles via a Virtual Testbed Environment	12.800	125,383
Culture & Cognition Lab (Ccl)	12.800	1,515
Design of a Persistent Agile Airborne Target Tracking System	12.800	29,291
Donors Acceptors and Traps in A1GaN and A1GaN/GaN Epitaxial Layers	12.800	150,934
Electrical and Optical Properties of Extended Defects in GaN	12.300	5
Evolving Pattern Recognition Systems	12.800	70,353
From Video to Information: Cross-Modal Analysis of Planning Meetings	12.800	526,950
Hardware Design of Real Time Highly Adaptable Control for Intelligent Radio Frequency Front Ends	12.800	31,285
Hyperbaric Atomic Force Microscopy Study Oxygen Toxicity	12.300	171,782
Immunological Methods for the Characterization of the Reproductive Toxicity of Depleted Uranium in Rats	12.800	13,098
Intergovernmental Personnel Agreement - Bayraktaroglu	12.800	234,917
Intergovernmental Personnel Agreement - Dilsavor	12.800	(744)

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Defense, Prime (Continued) -		
Intergovernmental Personnel Agreement - Johnston	12.800	\$ 46,987
Low Level Chemical Toxicity: Relevance to Chemical Agent Defense (Modules 2 - 4)	12.800	32,804
Magneto-Aerodynamic Actuator Simulation	12.800	133,892
Materials for High Speed Devices	12.800	826,368
Molecular Mechanisms and Modeling of Skin Irritation from JP-8	12.800	179,429
Multidisciplinary Design Optimization for High Reliability and Robustness - DAGSI Cost Share	12.300	23,440
Persistent Tracking	12.800	64,538
Pharmacokinetic Manipulation and Modeling of the Trigger for JP-8-Induced Skin Irritation	12.800	82,248
Precision Design Modeling and Instrumentation in Turbomachinery	12.800	9,682
Proteomic Analysis of Cisplatin-Resistant Ovarian Cancers	12.420	(860)
Pseudonoise Sequences with Good Correlation Properties	12.901	33,962
Real-Time Molecular and Cellular Studies of CNS O2 Toxicity Using Hyperbaric Atomic Force Microscopy (HAFM)	12.300	52,838
Research and Technical Support for the Culture and Cognition Laboratory (CCL)	12.800	131,151
Robust Uncertainty Modeling Techniques	12.800	38,409
Signed Graphs and Dyadic Matroids	12.901	12,479
System Analysis and RF-Floodlight Exploitation of Short-Range GOTCHA Repeaters	12.800	37,073
Total U.S. Department of Defense, Air Force, Prime		3,642,050
U.S. Department of Defense, Subcontract -		
A Socio-Technical Approach to Examining Performance and Effectiveness in a Computer Supported Cooperative Work Environ	12.800	41,000
Adaptive Structures - Based on Energy Design (ASBED)	12.800	(2,409)
Bioremediation of Chlorinated Ethenes in the Constructed Wetlands at Wright Patterson Air Force Base	12.800	61,501
Broadband High Resolution Bandpass Delta Sigma Analog to Digital Converter	12.800	40,392
Cell Signaling and Silk Research	12.800	62,662
Center of Excellence in Cellular Dynamics and Engineering	12.800	411,529
Characterization of Hyperspectral Images in Urban Combat	12.800	96
Custom Synthesis of Intermediates for AFX Chromophores	12.800	28,065
Design and Analysis of Advanced Materials in a Thermal/Acoustic Environment	12.800	62,356
Developing an Agent-Based Modeling Approach for Improved Decision Support and Adaptive Planning in Support of Air Force	12.800	30,125
Development of Controllable Gene Expression Systems	12.800	8,856
Digital Array Analog to Digital Converter	12.800	154,035
Diverse Data Fusion Information Theory and Evaluation Techniques	12.800	14,804
Dynamic Decision Making in Network Centric Operations	12.800	44,796
Efficient Reliability Estimations for Large-Scale Aircraft Structural System (ATROHS Wing Configuration)	12.800	20,926
Energy Based Design of Adaptive Structures	12.800	71,011
Evaluation of Cushion Comfort for Air Force Crew Stations	12.800	61,502
Expanding Decision Support for Mobile Army Commanders	12.431	10,144
Fabrication of High Jc Coated Conductors with Nanoscale Pinning Centers Using Colloids of Unagglomerated Nanoparticles	12.800	26,440
Finite Element Modeling of Human Body and Pilot Seat Interactions	12.800	38,965
Gas Turbine Engine Sensor Technologies	12.800	83
Generic EW/RF Digital Design Toolbox Development	12.800	22,598
High Speed Read Out Integrated Circuit	12.800	17,434
Human-Machine Interfaces for Coordination Decision Support in Tactical Settings	12.800	9,472
Identification of Biomarkers using Machine Learning Algorithms	12.800	24,501
Impact tests of Undamaged and Damaged Materials	12.800	16,891
Incorporation of Advanced Sensor Technology to Enable Complex Laser Micromachining of Silicon Carbide Devices	12.800	69,166
Intelligent Distributed Group and Team Training Systems	12.630	10,742
ISAT Government SEIT Structures Reference Designs and Analytical Models	12.800	19,342
Modeling Sortie Generation Maintenance and Inventory Interactions for Unit Level Logistics Planners	12.800	435
Molecular Modeling of Polymeric Nanocomposite Materials	12.800	134,690
MOST: Model Based Optimal System for Training	12.630	60,817
Multidisciplinary Design Optimization for High Reliability and Robustness - DAGSI Cost Share	12.300	41,750
Multirate Interacting Multiple Model Fusion	12.800	33,745
Nanoporous SiC and GaN	12.300	37,622
NMR Based Metabolomics in Toxicology Research	12.800	90,615
Nonlinear Analysis of Advanced Composites in a Thermal/Acoustic Environment	12.800	15,436
Nonlinear Enhancement of Visual Target Detection	12.800	14,758
Novel Neuroprotectants for Sarin Induced Neurotoxicity Post Exposure Rescue	12.800	7,026

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Defense, Subcontract (Continued) -		
Optimal Training System	12.630	\$ 9,879
Particle Filters for Target Tracking and Identification	12.800	14,250
Performance Improvement of a Receiver on a Chip	12.800	14,945
Plasma Modeling Program	12.800	185,593
Power Extraction from a Gas Turbine Engine in Flight	12.800	78,152
Reconfigurable Architectures for Mobile Joint Tactical Radio Systems (JTRS) for UAVs	12.800	26,142
Representing Plan Execution in a Dynamic Battlefield Environment	12.431	53,717
Rosetta Support	12.800	90,701
Secure Knowledge Management II	12.800	64,955
Single Ionic Conducting Polymer Electrolyte	12.800	43,815
SMART-TAG: Staring Mode Airborne Radar Techniques to Track and Geolocate	12.800	35,821
Software for the Design and Certification of Unitized Airframe Components	12.800	8,752
System Analysis and RF-Floodlight Exploitation of Short-Range GOTCHA Repeaters	12.800	41,360
Terahertz Standoff Sensing of Vital Signs	12.431	2,682
Testing of Cathodic Arc Plasma Sources (CAPS) for Magnetohydrodynamic (MHD) Control of Hypersonic Flight Surfaces	12.800	13,241
Thermal Management of Next-Generation Power Electronics for the More-Electric Aircraft Initiative	12.800	5,619
THz Technology and Molecular Interactions	12.431	5,668
Turbine Engine Modeling	12.800	8,500
Use of Room-Temperature Ionic Liquids as Electrolytes in Fuel Cells	12.800	8,098
Virtual Simulation Infrastructure Development/EAAGLES Training	12.800	5,166
Waveform Diversity Implementation Study	12.800	40,942
Total U.S. Department of Defense, Subcontract		<u>2,571,917</u>
Total U.S. Department of Defense		<u>6,213,967</u>
U.S. Department of Energy, Prime:		
Continuous Severe Plastic Deformation Processing of Aluminum Alloys	81.086	141,231
Hydraulic Conductivity Distributions for Anisotropic Systems and Application to Tc Transport	81.049	30,292
Multiscale Reactive Transport in Processes Related to CO2 Sequestration: Nanoscale Dynamics Upscaling & Non-Steady State Kinetics	81.049	56,085
Performance Enhancement of Second Generation Coated Conductors by Investigation of Flux Pinning and AC Loss Issues	81.049	475,062
Towards Scalable Cost Effective Survivability in Ultra High-Speed Networks	81.049	87,464
Total U.S. Department of Energy, Prime		<u>790,134</u>
U.S. Department of Energy, Subcontract -		
P-type ZnO	81.049	159
State Technologies Advancement Collaborative (STAC)	81.117	14,842
Total U.S. Department of Energy, Subcontract		<u>15,001</u>
Total U.S. Department of Energy		<u>805,135</u>
U.S. Department of Interior, Subcontract -		
Strategic Alliance for the Development of Advanced Remote Sensing Technologies for Effective Water Resources Management	15.504	34,526
U.S. Department of Labor, Prime -		
Geophysical Void Detection	17.267	108,415

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Transportation, Prime -		
Innovative Winter Maintenance Material Inventory Management and Processes	20.205	\$ 16,087
Interactive Aircraft Accident Data Collection and Analysis Systems	20.108	58,574
Total U.S. Department of Transportation		74,661
U.S. Environmental Protection Agency, Prime -		
Intergovernmental Personnel Agreement - Greenberg	66.424	93,634
Pcb Fluxes and Ecological Effects in Stream and River System	66.509	71,842
Possible Asthma and Allergy Associated Eosinophilia Caused by Mole Hemolysins	66.511	22,719
Total U.S. Environmental Protection Agency		188,195
National Aeronautics and Space Administration, Prime -		
Communication Processes in Organizational Risk Management	43.001	16,875
Computer Modeling of the Discharge Chamber of an Ion Engine	43.001	33,828
Coupled Models of Planetary Thermospheres/Ionospheres	43.001	50,779
Dynamic Test of Pressure Sensors	43.001	1,359
Evaluating Integrated Control Approaches for Multi-Agent Behavior in Physical Environments	43.002	3,939
Mars Global Surveyor Radio Science Electron Density Profiles	43.001	28,776
Monte Carlo Calculations of Hot and Escaping Atoms from Mars Using Realistic Velocity Distributions	43.001	69,768
Temporal Changes in Stream Water Quality in Ohio River	43.001	3,035
Total National Aeronautics and Space Administration, Prime		208,359
National Aeronautics and Space Administration, Subcontract -		
Impact of Land-Cover Changes/Surface Water Quality/Mid-Ohio River Watershed	43.001	3,600
Participation in the Timed Spacecraft IDS Team of Janet U. Kozyra	43.001	32,108
Publication of Remote Sensing Education Workshop Results and Applications to Ohio Environment	43.001	9,647
Remote Sensing Management of the Control of the Gypsy Moth and Other Forests Pests	43.001	5,903
Total National Aeronautics and Space Administration, Subcontract		51,258
Total National Aeronautics and Space Administration		259,617
National Science Foundation, Prime -		
A Revolution in NMR Applications Using Optimal Control Theory	47.049	426,750
Analysis of Sparse Factorial Designs and Related Problems	47.049	27,872
Bioengineering Design Projects for the Disabled	47.041	22,288
Calcium Homeostasis Modeled on the Freshwater Crayfish Molting Cycle	47.074	59,107
CAREER: Electronic and Optical Properties of Semiconductor Nanostructures	47.049	4,362
CAREER: Evolvable Hardware Neuromorphic Computational Devices for Sensing and Control	47.070	106,724
Collaborative Research: Coasts in Motion: Quantifying the Patterns of Coastal Change Using LIDAR	47.050	23,647
CR1: Instrumentation of a Hierarchical Wireless Sensor Network Test Bed for Research and Education	47.070	20,545
Cross-Modal Analysis of Signal and Sense	47.075	10,271
Development of "Smart" Scanning Probe Microscopy Instrumentation for Studies of Mineral-Water Interfaces	47.050	107,361
Endocrine Activity and the Ontogeny of Social Interactions and Bonding	47.074	52,246
Equations of Monge-Ampere Type and Fully Nonlinear Equations	47.049	2,694
Genetics of Haldane's Rule in Caenorhabditis	47.074	5,176
GOAL: Laser Additive Manufacturing of Aerospace Components	47.041	17,969
Integrating Littoral Productivity Into Lake Food Webs	47.074	38,055

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
National Science Foundation, Prime (Continued) -		
Modeling Hierarchical Aquifer Architecture from Centimeter to Kilometer Scales	47.050	\$ 43,565
Paradox Cull Ca Homeo Vect Trans	47.074	53,451
RDE-DEI: Research in Disability Education-Demonstration Enrichment and Information Dissemination	47.076	76,530
Reflector Problem Equations of Monge-Ampere Type and Fully Nonlinear Equations	47.049	21,554
RU: Aquaporins and Osmoregulation in a Freeze-Tolerant Amphibian	47.074	21,086
		<hr/>
Total National Science Foundation, Prime		1,141,253
National Science Foundation, Subcontract -		
An Instructional Approach to Enhance Quantitative Reasoning	47.075	1,593
Decision Support for Logistics Response to Chemical Biological or Radiological Attacks	47.041	42,452
Embodiment Awareness, Mathematics, and the Blind	47.070	4,260
GOALI: Growth Dependent Identification and Control of Bulk and Interface Defects in ZnO	47.049	10,468
ITR: i-Learn: It's Enabled, Intelligent, and Ubiquitous Access to Educational Opportunities for Blind Students	47.070	128,343
SGER: Music Telepresence	47.070	2,673
Track 1 GK-12: Inquiry-based Approaches to Earth System Science	47.076	5,640
		<hr/>
Total National Science Foundation, Subcontract		195,429
		<hr/>
Total National Science Foundation		1,336,682
U.S. Department of Agriculture, Subcontract -		
Bioremediation of Water Streams Contaminated with Pcb's	10.961	5,406
Chemical Ecology of Host-Mediated Systemic Interactions Between Pathogens and Insects in Austrian Pine Over Fertility Grad	10.206	6,680
		<hr/>
Total U.S. Department of Agriculture		12,086
Other Federal Agencies, Prime -		
Char Of Cyanobact Sec Metabolit-Fed	15.608	3,616
Other Federal Agencies, Subcontract -		
RFID - Enabled Dispatch Verification System and WCI Support	59.006	67,658
		<hr/>
Total Other Federal Agencies		71,274
		<hr/>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		23,008,563
U.S. Department of Education Direct Programs -		
21st Century Community Learning Center Program	84.287	29,207
A Collaborative University Approach to Training in Adapted Physical Education with Emphasis on Low-Incidence Disabilities	84.325	71,531
Algebra and Physical Science Professional Development Project	84.366	(2,273)
An Integrative Curriculum to Promote Understanding of Diversity Reduce Substance Abuse Use Among Youth with Learning Chall	84.305	19,335
Building Resources in the Development of Global Education for International Business	84.153	(1,776)
Capacity Building Faculty Support Grant FY05/06	84.048	110,793
CatalystOhio Technology Community (cTC)	84.305	35,387
Child Care Subsidy and Promoting Positive Relationships Program	84.335	57,902
Comprehensive Data-Based Professional Development	84.336	13,081
Create a Classroom that Moves!	84.215	23,214
Encountering the Old and New Worlds: Enhancing Student and Faculty Involvement in European and Western Hemispheric Studies	84.016	(444)
Evaluation of the Springfield Students and Families Engaged (SSAFE) Program	84.184	119,036
Expanding the Pool of Qualified Teachers for Ohio's Schools	84.002	299,129
Life Science Physical Science and Mathematics Professional Development Project for Grades 6-11 Teachers	84.367	2,380
Literacy Education Partnership Field Faculty Network	84.002	14,044

See notes to the Schedule of Expenditures of Federal Awards.

WRIGHT STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
U.S. Department of Education Direct Programs (Continued)		
Mathematics and Physical Science Professional Development for Grades 7-11 Teachers	84.281	\$ 114,278
Montgomery County - Teaching American History	84.215	53,130
Nursing Institute of West Central Ohio	84.116	37,434
Ohio Education Network for Science and Mathematics Education (OHEN)	84.002	58,129
Ohio Mathematics Academy Program (OMAP)	84.366	48,272
Ohio Science Institute Program (OSCI)	84.215	58,612
Partners in Integrated Earth Systems Science (PIES)	84.281	49,262
Prevention Through Alternative Learning; Violence and Substance Abuse Prevention	84.002	40,112
Project Manager for Expanding the Pool of Qualified Teachers (EPQT)	84.305	95,854
Project RENEUUS: Regional Educational Network Between the European Union and the United States	84.116	7,462
Target Program	84.220	946
Teacher Candidate Assessment System	84.367	10,000
Teaching American History Grant	84.215	218,860
The Reading First - Ohio Center	84.357	51,771
The Wright Charter College of Education	84.215	302,433
Training Licensed Educators to Become Intervention Specialists for Ohio	84.027	95,690
US Brazil BioTech Training Consortium (USABRIO)	84.116	53,388
Total U.S. Department of Education Direct Programs		<u>2,086,179</u>
U.S. Department of Health and Human Services, Prime -		
Academic Administrative Unit Pediatrics	93.884	125,076
Acute Care Nurse Practitioner Cardiac Specialty Program	93.247	143,846
Anatomical Resource in the QuickTime VR Format	93.879	8
BEACON: Accelerated BSN for Baccalaureate Graduates	93.359	126,799
Brothers to Brothers/Sisters to Sisters	93.243	570,421
CCOE-MH-ODMH	93.630	55,046
CE: Collaborative Peer Supervision Groups (SPRANS)	93.110	27,272
Enhancing Community-Based Research Capacity In Family Medicine	93.984	(5,245)
Healthlink Miami Valley	93.252	(16,350)
Integration of Excellence in Nursing Education, Research and Service/Practice	93.888	253,226
Online Family Nurse Practitioner 1st and 2nd Master's Degree	93.247	30,930
Predoctoral Training Primary Care	93.884	137,976
Professional Nurse Traineeship	93.358	57,048
Short-Term Training for Minority Students (STREAMS)/WSU	93.837	23,037
Sinclair Community College Archives Graduate Assistant	93.925	19,421
Sisters of Solidarity (SOS)	93.941	1,096
The Community Health Initiative	93.243	90,079
Training of Licensed Health Care Professionals in Basic and Advanced Disaster Life Support	93.889	84,182
Total U.S. Department of Health and Human Services, Prime		<u>1,723,868</u>
U.S. Department of Health and Human Services, Subcontract -		
CCOE: Dual Diagnosis MI/MRDD	93.630	110,687
Child and Youth Development Initiative: The Community Assessment	93.558	23,978
Gra Stipend - Sonner	93.837	15,029
Kinship Navigator Consortium	93.558	86,956
PECE-PACT: Parents Early Childhood Education/Positive Action Choices Training	93.959	69,805
Total U.S. Department of Health and Human Services, Subcontract -		<u>306,455</u>
Total U.S. Department of Health and Human Services		<u>2,030,323</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, 2006

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
U.S. Department of Defense, Prime -		
Air Force ROTC-Uniform Commutation Fund	12.800	\$ 54,246
Cold War/Aerospace Technology History Project	12.800	49,709
Intergovernmental Personnel Agreement (IPA) - C. Harris	12.800	167,862
Science Mathematics and Research for Transformation (SMART) Defense Scholarship Program - A. Schaab	12.800	<u>9,986</u>
Total U.S. Department of Defense, Prime		281,803
U.S. Department of Defense, Subcontract -		
Science Mathematics and Research for Transformation (SMART) Defense Scholarship Program - M. Corbett	12.800	<u>10,152</u>
Total U.S. Department of Defense		<u>291,955</u>
U.S. Department of Labor, Subcontract -		
Labor Market Study	17.267	<u>43,103</u>
Total U.S. Department of Labor		<u>43,103</u>
U.S. Department of Housing and Urban Development, Prime -		
Building Futures	14.511	17,708
Dayton Community Development Work-Study Program	14.512	<u>34,981</u>
Total U.S. Department of Housing and Urban Development, Prime -		<u>52,689</u>
National Aeronautics and Space Administration, Prime -		
Aerospace Medicine Residency Program	43.001	527,134
Ohio Space Grant Consortium Campus Allocation	43.001	4,037
Ohio Space Grant Consortium Scholars Program	43.001	<u>12,830</u>
Total National Aeronautics and Space Administration, Prime -		<u>544,001</u>
National Aeronautics and Space Administration, Subcontract -		
Temp/Telemetry Satellite Project	43.001	<u>12,701</u>
Total National Aeronautics and Space Administration		<u>556,702</u>
National Endowment for the Humanities, Prime -		
History and Memory: World War I in British Culture	45.163	65,773
Living and Working in Ohio's Miami Valley, 1890-1929	45.164	4,249
Preservation Assessment Survey Special Collections and Archive	45.149	338
The Creatively Engaged College Campus - The Wright State University Honors Institute	45.129	<u>5,917</u>
Total National Endowment for the Humanities		<u>76,277</u>
National Endowment for the Humanities: Institute of Museum and Library Services, Subcontract -		
19th Century Turning Points in U.S. History	45.310	5,000
Statewide Core Electronic Information Collection (SCEIC)	45.310	<u>1,107,903</u>
Total National Endowment for the Humanities: Institute of Museum and Library Services, Subcontract		<u>1,112,903</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, 2006

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Expenditures</u>
National Science Foundation, Prime -		
A National Model for Engineering Mathematics Education	47.041	\$ 4,803
Autonomous Robotics Practicum for Engineering Undergraduates and STEM Educators	47.076	19,743
Creating Laboratory Access for Science Students (CLASS): National Dissemination	47.076	21,955
Crossing the Interdisciplinary Barrier: An Integrated Undergraduate Program in Bioinformatics	47.070	89,237
IGERT: An Interdisciplinary Initiative on Technology Based Learning with Disability	47.076	141,916
Research Foundations on Successful Participation of Underrepresented Minorities in Information Technology: A Virtual Conference	47.076	24,171
REU/ASSURE Site in Physics at Wright State University and Wright Patterson Air Force Base	47.049	73,280
UMEB: Wright State University Partners with Wilberforce University to Yield RESULTS	47.074	<u>104,154</u>
Total National Science Foundation, Prime -		<u>479,259</u>
National Science Foundation, Subcontract -		
LSAMP Bridge Program	47.076	<u>21,076</u>
Total National Science Foundation		<u>500,334</u>
Department of Homeland Security, Prime -		
Establishment of Neighborhood Emergency Help Centers	97.004	<u>41,642</u>
Department of Homeland Security, Subcontract -		
Mobile Acute Care Incident and Education (MACIE) Unit	97.004	<u>249,802</u>
Total Department of Homeland Security		<u>291,444</u>
Small Business Administration, Prime -		
Small Business Development Center - FY06 - EMTEC	59.037	<u>12,617</u>
Small Business Administration, Subcontract -		
Ohio SBDC Student Projects.	59.037	<u>104,190</u>
Total Small Business Administration		<u>116,807</u>
U.S. Department of Transportation, Prime -		
Rider/Non-Rider Baseline and Trip Characteristics Study	20.505	<u>11,708</u>
U.S. Department of Transportation, Subcontract -		
Public and Social Service Transportation Internship Program	20.215	<u>3,601</u>
Total U.S. Department of Transportation		<u>15,309</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 40,830,530</u>

See notes to the Schedule of Expenditures of Federal Awards.

WRIGHT STATE UNIVERSITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

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, 2006.

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, 2006, are summarized as follows:

Federal Subsidized Stafford Loans	\$ 32,677,714
Federal Unsubsidized Stafford Loans	33,392,059
Federal Parental Loans for Undergraduate Students (PLUS)	<u>11,258,449</u>
	<u>\$ 77,328,222</u>

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

C. FEDERAL LOAN PROGRAMS

The University administers the following federal loan programs:

	CFDA Number	Outstanding Balance at June 30, 2006
Federal Perkins Loan Program	84.038	\$ 13,450,920
Loans to Disadvantaged Students	93.342	402,091
Health Professions Student Loan Program	93.342	40,110
Nursing Student Loan Program	93.364	1,080,324
Primary Care Loan Program	93.342	2,272,659

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:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	\$ 2,787,191
Loans to Disadvantaged Students	93.342	-0-
Nursing Student Loan Program	93.364	315,943
Primary Care Loan Program	93.342	336,323

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**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, 2006, and have issued our report thereon dated September 30, 2006. 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 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 internal control over financial reporting, which we have reported to management of the University in a separate letter dated September 30, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 instances of noncompliance, which we have reported to management of the University in a separate letter dated September 30, 2006.

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This report is intended solely for the information and use of Board of Trustees, the University finance and audit 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
October 2, 2006

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**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 year ended June 30, 2006, 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, 2006.

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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 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 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 finance and audit 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
October 2, 2006

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WRIGHT STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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: \$1,224,916
Auditee qualified as low-risk auditee? yes no

WRIGHT STATE UNIVERSITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

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, 2006**

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

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

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

Procedures Related to the Accounting Records

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, 2006, as prepared by management as well as shown on page 5. 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 did not identify any contributions of cash, services or goods which 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.
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 guarantee revenues (away games) and expenditures (home games) to the signed contracts and other supporting documentation, noting no exceptions.
8. We agreed the Federal Work Study support recorded by the athletic department with federal appropriations and/or other supporting documentation, noting no exceptions.
9. We agreed the University's direct support recorded by the athletic department to the University's authorizations, noting no exceptions.
10. We obtained and inspected the agreements related to the University's participation in revenues from tournaments during the year ending June 30, 2006 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.
11. 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.
12. 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.
13. We selected 10 sports-camp participant cash receipts and agreed the revenue to check copies, noting no exceptions.
14. We selected 10 sports-camp participant cash expenses and agreed the expense to the supporting documentation (for example, invoices) and agreed that the expense was for camp related activity, noting no exceptions.
15. We selected a sample of 10 student athletes who received institutional financial aid during the year ended June 30, 2006 and agreed the award amount per the student's account detail to the related award letter, noting no exceptions.
16. 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.
17. 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 of the Athletics Department 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. There were no other third party administrative employees.

18. We selected two employees receiving severance payments by the University and agreed each severance payment to the related termination letter and employment contract. We noted that one individual receiving severance payments was underpaid by the University in the amount of \$10,152 for the 2006 fiscal year. Over the full term of his severance agreement the individual was underpaid \$4,039. This amount was communicated to him with no response being received by the University.
19. 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.
20. We reviewed and recalculated the allocation from the Nutter Center to the athletic department for concessions and parking, noting no exceptions.
21. 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.
22. 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.

23. 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.
24. 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

25. We obtained the list of outside programs and related financial activities for the year ended June 30, 2006, which is included on page 6 of this report.
26. We confirmed with the athletic business manager that the information referred to in "24." 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, 2006.
27. We confirmed directly with officers of the Foundation that the data to be contained in "24." 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, 2006.

Procedures Related to the Athletics Assets

28. We obtained a schedule of intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type.
29. We substantiated this schedule by agreeing it to the institution's general ledger.
30. 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, 2006. 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, 2006, 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

October 2, 2006

Wright State University
Intercollegiate Athletics
Statement of Revenues and Expenditures Combined
June 30, 2006

	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Revenue					
Ticket sales	\$ 226,764	\$ -	\$ 5,341	\$ -	\$ 232,105
Guarantees	-	25,500	15,750	-	41,250
Contributions	85,948	2,992	53,401	240,451	382,792
Direct state/other government support	5,492	3,252	-	19,338	28,082
Direct institutional support	1,302,200	717,215	3,189,788	2,319,393	7,528,596
NCAA/conference distributions	-	-	3,534	205,396	208,930
Program sales, concessions, novelty sales, parking	9,069	468	56,403	80,260	146,200
Royalties, licensing, advertisements, & sponsorships	171,089	-	5,900	20,000	196,989
Sports camp revenues	23,681	13,313	106,356	6,447	149,797
Other revenues	-	-	22,237	102,630	124,867
Total operating revenue	<u>1,824,243</u>	<u>762,740</u>	<u>3,458,710</u>	<u>2,993,915</u>	<u>9,039,608</u>
Operating Expenses					
Athletics student aid	287,901	244,493	1,777,236	754	2,310,384
Guarantees	7,000	4,500	707	-	12,207
Coaching salaries, benefits, & bonuses	399,849	139,913	708,956	-	1,248,718
Support-staff/administrative other compensation & benefits	191,081	83,634	35,628	1,310,768	1,621,111
Severance payments	316,494	-	951	-	317,445
Recruiting	65,237	28,564	60,334	-	154,135
Team travel	145,689	129,557	477,961	344	753,551
Equipment, uniforms, & supplies	29,055	27,761	134,247	50,291	241,354
Game expenses	63,698	25,143	37,237	-	126,078
Fundraising, marketing, and promotion	115,194	19,687	35,919	111,420	282,220
Sport camp expenses	9,317	4,991	48,364	2,905	65,577
Direct facilities, maintenance, and rental	82,795	13,090	64,528	416,314	576,727
Spirit groups	-	-	-	226,165	226,165
Medical expenses and medical insurance	892	2,137	4,461	20,934	28,424
Membership and dues	2,145	1,175	2,625	4,245	10,190
Other operating expenses	107,896	38,095	69,556	571,018	786,565
Total operating expenditures	<u>1,824,243</u>	<u>762,740</u>	<u>3,458,710</u>	<u>2,715,158</u>	<u>8,760,851</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,757</u>	<u>\$ 278,757</u>

Wright State University
Statement of Changes in Funds
Restricted Funds
June 30, 2006

Gift Accounts	Beginning Fund	Increase in Funds (1)	Expenses for or in Behalf of Program (2)	Transfers & Others	Ending Fund
ADC Platinum Charter	\$ -	\$ 64,000	\$ (73,032)	\$ -	\$ (9,032)
Athletics General Fund	347	120,475	(120,823)	-	(1)
Baseball	41	13,905	(13,946)	-	-
Baseball Facility Project	-	60	-	-	60
Baseball Premium Seats	250	-	(250)	-	-
Basketball - Men's	-	12,916	(12,916)	-	-
Basketball - Women's	13	2,979	(2,992)	-	-
Cross Country - Men's	75	-	(75)	-	-
Campus Scholarship Campaign - Athletics	480	-	-	-	480
Campus Scholarship Campaign - Men's Basketball	61	-	-	-	61
Campus Scholarship Campaign - Women's Basketball	39	-	-	-	39
Golf	1,308	7,375	(8,683)	-	-
Greg Nischwitz	10,979	2,000	(12,979)	11,409	11,409
Heider/Best Scholarship	421	-	-	439	860
Soccer - Men's	-	6,015	(6,015)	-	-
Soccer - Women's	-	1,000	-	-	1,000
Soccer Dugout Fund	7,269	1,001	(5,272)	-	2,998
Soccer Light Fund	1,021	-	-	-	1,021
Softball	-	434	(434)	-	-
Sports Information	-	371	(371)	-	-
Basketball Prem Sports	-	109,200	(110,207)	-	(1,007)
Swimming - Men's	151	650	(800)	-	1
Swimming - Women's	-	725	(725)	-	-
Tennis - Men's	1	80	(80)	-	1
Tennis - Women's	1	250	(250)	-	1
Training Room	-	2,500	(1,328)	-	1,172
Volleyball	58	3,470	(3,528)	-	-
Women's Volleyball Scholarship	8	15	-	-	23
WSU Pavilion Fund	191,835	56,100	(8,086)	-	239,849
Wynkoop Scholarship	50	110	-	-	160
	<u>214,408</u>	<u>405,631</u>	<u>(382,792)</u>	<u>11,848</u>	<u>249,095</u>
Endowment Income Accounts					
Greg Nischwitz	147,725	-	-	-	147,725
Heider/Best Scholarship	1,908	50	-	-	1,958
Greg Nischwitz	71,140	21,403	(2,189)	(11,409)	78,945
Heider/Best Scholarship	7,336	909	(93)	(439)	7,713
	<u>228,109</u>	<u>22,362</u>	<u>(2,282)</u>	<u>(11,848)</u>	<u>236,341</u>
Total Wright State Foundation	<u>\$ 442,517</u>	<u>\$ 427,993</u>	<u>\$ (385,074)</u>	<u>\$ -</u>	<u>\$ 485,436</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.



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 13, 2007**