

WRIGHT STATE *UNIVERSITY*

Annual Report and Single Audit Reports For Federal Awards For the Year Ended June 30, 2002

Office of the Controller
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Dayton, OH 45435-0001



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We have reviewed the Independent Auditor's Report of the Wright State University, Greene County, prepared by PricewaterhouseCoopers, for the audit period July 1, 2001 through June 30, 2002. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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WRIGHT STATE UNIVERSITY

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

Financial and Other University Highlights

- State appropriations for all purposes except OhioLINK (a statewide library initiative for which the University serves as fiscal agent) fell by \$1.5 million.
- In response to state funding cuts and projections of continued constraints in state funding, the University successfully removed \$12 million from its base budget.
- In addition to normal annual tuition increases, the University adopted a special four percent increase (eight percent for the medical school), effective March 2002. Because of the base budget reductions, this increase was not generally used to offset state funding cuts. Instead, it funded investments to strengthen the University in various ways. More introductory course sections were funded, learning communities were expanded, additional funds were allocated to a partially forgivable loan program, and other initiatives in support of the university's strategic plan were made possible.
- Notwithstanding the reduction in state support, net assets increased \$11.8 million or 4.4 percent from June 30, 2001. About \$6.9 million of that increase, or 58 percent of the total, was due to an increase in the cost of our facilities and other capital assets, net of depreciation and associated debt. The next largest portion of the increase was in funds designated for the colleges, Lake Campus, and the university's libraries.
- A \$14.8 million renovation of the university's largest academic building was nearly completed at June 30, 2002 and fully occupied by the beginning of the autumn quarter.
- A \$7.8 million partial renovation of the Student Union primarily for the purpose of creating a new Union Market food venue was undertaken during fiscal 2002 and was within several months of being completed at June 30. It was fully operational on October 2, 2002.
- Fall 2001 student headcount increased 2.7 percent and full time equivalent students (FTE) increased 3.2 percent from the prior year. Enrollments continued to be strong throughout the academic year.
- For the third consecutive year in fiscal 2002, more valedictorians from the Miami Valley chose Wright State than any other school in the nation according to Dayton Daily News graduation special editions.
- In November 2001, the University launched the public phase of *Tomorrow Takes Flight: The Campaign for Wright State University*, which seeks \$40 million in operating and endowment funds for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowment. Through June 2002, approximately \$25.6 million has been raised. The University hopes to complete the campaign in 2004.
- ♦ Preparatory work was completed for a new strategic plan, which the University hopes to develop and approve in the 2002-03 academic year.

Using the Annual Report

This annual report includes three new financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. They differ significantly, in both form and the accounting principles utilized, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. The fiscal year 2001 information presented herewith for comparison purposes has been restated on the same accounting basis as the current year information.

Significant changes to the financial statements are as follows:

- Revenues and expenses are now classified as either operating or nonoperating. Several routine, recurring sources of revenue such as state appropriations, gifts, certain grants, and investment income are classified as nonoperating, as prescribed by GASB Statement No. 35. As a public university, Wright State has a high dependency on these "nonoperating" revenues, particularly state appropriations. As a result of the new reporting classifications, the University (and public universities generally) will always generate an operating deficit, even if its net assets increase, as they did for the year ended June 30, 2002. These nonoperating revenues totaled \$113.6 million and \$116.5 million for the years ended June 30, 2002 and 2001, respectively. Nonoperating expenses represent primarily interest on debt and loss on disposal of capital assets. These expenses totaled \$4.0 million and \$8.7 million for the years ended June 30, 2002 and 2001, respectively.
- Capital assets are now depreciated over their expected useful lives instead of recorded entirely as a current period expense in the year of acquisition. Depreciation expense was \$13.4 million and \$13.7 million for the years ended June 30, 2002 and 2001, respectively.
- Unexpended cash advances from sponsors for contracts and grants are now recorded as deferred revenue instead of revenue upon receipt. The deferred revenue will be amortized to revenue as the cash advances are expended in subsequent years. Such deferred revenue totaled \$16.6 million and \$15.2 million at June 30, 2002 and 2001, respectively.
- Scholarships and fellowships applied to student accounts are now shown as a reduction of student tuition and fees (scholarship allowances), while scholarships and fellowships that are paid directly to the students continue to be presented as scholarship and fellowship expenses. Previously, all scholarships and fellowships were presented as expenses. Scholarship allowances totaled \$18.0 million and \$16.1 million for the years ended June 30, 2002 and 2001, respectively.
- As part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State allocated a portion of its unfunded workers' compensation liabilities for state agencies and state universities to the individual agencies. As a result, the State has required these state agencies and state universities to record these allocated liabilities in their financial statements. Accordingly, the university's Statement of Net Assets reflects unfunded workers' compensation liabilities of \$1.3 million at June 30, 2002. The effect on the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2002 was to increase operating expenses by \$.5 million. The decision to record these liabilities at the state agency and state university level was a result of determinations made by the State of Ohio in its interpretations of the treatment of the unfunded pool obligations at the Ohio Bureau of Workers' Compensation. In addition, the amount recorded by the University was based upon an allocation of the entire pool on a pro-rata basis to the participating state agencies and state universities. Management believes that this amount could have been different had a separate actuarial computation been performed for each participating state agency and state university and that such actuarial computation would result in a more accurate liability.

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

Statement of Net Assets

The Statement of Net Assets, which reports all assets and liabilities of the University, presents the financial position of the University at the end of the fiscal year. Our net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the University during the year. A summary of the university's assets, liabilities, and net assets as of June 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
	<u>(All dollar amounts in thousands)</u>	
Current assets	\$ 73,103	\$ 58,887
Noncurrent assets:		
Capital assets, net	222,089	216,871
Other	<u>62,946</u>	<u>59,988</u>
Total assets	<u>358,138</u>	<u>335,746</u>
Current liabilities	56,785	45,582
Noncurrent liabilities	<u>18,976</u>	<u>19,562</u>
Total liabilities	<u>75,761</u>	<u>65,144</u>
Net assets:		
Invested in capital assets, net of related debt	210,513	203,638
Restricted	20,926	20,560
Unrestricted	<u>50,938</u>	<u>46,404</u>
Total net assets	<u>\$ 282,377</u>	<u>\$ 270,602</u>

A review of the summary indicates a relatively strong financial position as of June 30, 2002. This is a result of the university's careful and conservative spending habits, its limited use of long term debt, and its continued ability to adhere to its annual financial plans. *Total assets* have increased \$22.4 million, the majority of that increase a result of an increase in current assets. *Current assets* are comprised primarily of cash and operating investments, student and trade receivables, and prepaid expenses. The increase in current assets in 2002 is due in part to the purchase of investments prior to June 30 for which final settlement had not yet been made (the cash had not yet been expended) and an additional increase in cash due to reduced spending during the fiscal year. Cash and short-term investments increased from \$31.4 million in 2001 to \$40.0 million in 2002. In addition, another \$5.6 million of prepaid expenses were made for licensing agreements in conjunction with the library's statewide OhioLINK program for which the University is the fiscal agent. Accounts receivable was at \$18.0 million at June 30, 2002, close to the \$17.8 million at June 30, 2001. Accounts receivable is comprised of primarily sponsor receivables on contracts and grants as well as student receivables for various student fees and charges. Capital assets also increased a net of \$5.2 million.

Current liabilities are comprised primarily of trade payables and accrued liabilities, deferred revenues from both student fees and advance payments for contracts and grants, and the current portion of long-term liabilities. These liabilities increased \$11.2 million. Trade payables increased \$7.3 million primarily due to investment trade settlements that had not yet been executed while deferred revenue increased from \$22.6 million to \$25.1 million or \$2.5 million. Approximately half of this increase is from student Instructional and General fees and half from advance payments from sponsors on contracts and grants. Accrued liabilities increased from \$10.0 million to \$11.5 million as a result of the timing of a quarterly remittance to the state retirement system.

Net assets represent what's left of the university's assets after deducting liabilities. A more detailed summary of the university's net assets as of June 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
	<u>(All dollar amounts in thousands)</u>	
Invested in capital assets, net of related debt	\$ 210,513	\$ 203,638
Restricted:		
Nonexpendable	1,364	1,364
Expendable	19,562	19,196
Unrestricted:		
Designated	55,723	51,375
Undesignated	<u>(4,785)</u>	<u>(4,971)</u>
Total net assets	<u>\$ 282,377</u>	<u>\$ 270,602</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. The primary activity in capital assets was the completion of a major renovation project on the university's largest academic building and additional renovations of the Student Union for a new food service venue.

Restricted nonexpendable represents the university's permanent endowments. It does not include the endowments held by the Wright State University Foundation, to which all new gifts are directed. *Restricted expendable* represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. \$15.6 million of the \$19.6 million at June 30, 2002 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 not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. A substantial portion of these designations is due to a longstanding university policy of allowing colleges and divisions to retain budgeted funds that are not spent at the close of the fiscal year. In fact, of the \$4.3 million increase in designated, unrestricted net assets in this fiscal year, fully 80 percent - or \$3.5 million, are designated for one of the colleges, Lake Campus, or the university library. Our policy that allows colleges and other units to carry forward funds from year to year provides benefits both to those units and to the University as a whole. It permits the units to manage their resources more effectively, allowing them to use them for higher priorities in later years rather than for lesser priorities now. It 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.

The undesignated fund deficit represents the unfunded portion of the compensated absence accrual of \$11.8 million and the entire unfunded workers' compensation liabilities of \$1.3 million that were allocated to the University by the State of Ohio.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the University. A summary of the university's revenues, expenses and changes in net assets for the years ended June 30, 2002 and June 30, 2001 is as follows:

	2002	2001
	<u>(All dollar amounts in thousands)</u>	
Operating Revenues:		
Student tuition & fees - net	\$ 65,605	\$ 59,968
Grants and contracts	51,640	41,227
Sales and services	14,993	13,428
Auxiliary enterprises	8,930	9,147
Other	4,603	3,702
Total	<u>145,771</u>	<u>127,472</u>
Operating expenses	<u>243,581</u>	<u>230,002</u>
Operating loss	(97,810)	(102,530)
Nonoperating revenues (expenses):		
State appropriations	93,841	94,989
Gifts	4,322	4,028
Investment income	1,484	4,294
Interest expense	(625)	(687)
Other income (expense)	(3,343)	(7,975)
Capital appropriations	12,997	11,718
Capital grants	909	1,457
Total	<u>109,585</u>	<u>107,824</u>
Increase in net assets	11,775	5,294
Net assets - beginning of year (as restated)	<u>270,602</u>	<u>265,308</u>
Net assets - end of year	<u>\$ 282,377</u>	<u>\$ 270,602</u>

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

OhioLINK Revenues and Expenses

For the Year Ended June 30

	<u>2002</u>	<u>2001</u>	<u>Difference</u>	<u>Percent Increase</u>
Revenues:				
Grants and contracts	\$ 9,153,999	\$ 2,707,864	\$ 6,446,135	238.1%
State appropriations	8,470,137	8,113,815	356,322	4.4%
Total revenues	<u>\$ 17,624,136</u>	<u>\$ 10,821,679</u>	<u>\$ 6,802,457</u>	<u>62.9%</u>
Expenses:				
Total OhioLINK	<u>\$ 17,624,136</u>	<u>\$ 10,821,679</u>	<u>\$ 6,802,457</u>	<u>62.9%</u>

The University relies primarily on state appropriations and student tuition and fees to fund the ongoing programs and operations of the University. Although classified by GASB Statement No. 35 as a nonoperating revenue source, state appropriations over the years have been the largest single source of revenue for the University. The majority of the amount received by the University each year is in general a function of student enrollment. Although enrollment increased in 2002, the amount of State Share of Instruction (the principal form of state support for public campuses) was reduced due to state budget cuts. The result of this reduction in state support was a larger reliance on student tuition and fees. As the table below demonstrates, the State of Ohio has dramatically shifted the burden for funding the cost of higher education to students and their families over the past two decades.

State Appropriations per Dollar of Gross Tuition

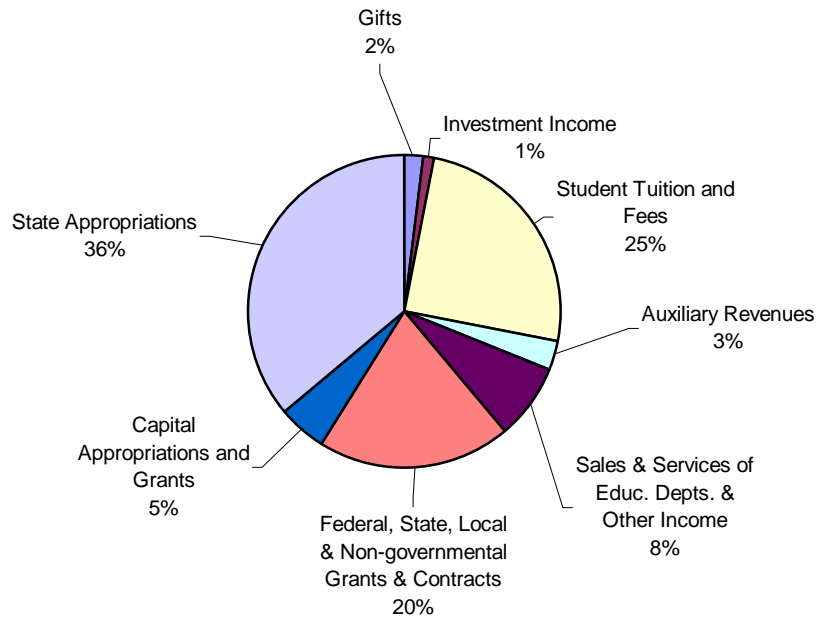
<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Appropriations net of OhioLINK</u>	<u>Net State Appropriations per Dollar of Gross Tuition</u>
1980	\$ 13,833,157	\$ 29,604,813	\$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2002	82,426,162	85,371,221	1.04

In 1980, the State contributed \$2.14 to Wright State University for every dollar of gross tuition. In 2002, that figure had dropped to \$1.04. In just the most recent year, the difference between state appropriations (net of OhioLINK) and gross tuition fell from just under \$12 million to under \$3 million. Given the amounts now appropriated for this year and the tuition increases that were required, it is almost certain that our next financial report will show that gross tuition in fiscal year 2003 will have exceeded state appropriations by a substantial amount.

This erosion of state support places a great deal of financial pressure on all public colleges and universities. We believe that it places special pressure on institutions such as Wright State University. On the one hand, we know that we serve students from a wide range of economic backgrounds, many of whom find the rising cost of higher education especially challenging. We have not forgotten such students in our financial planning. In recent years, our tuition increases have been more modest than those of our peers. Whereas in 1997 our tuition was higher than that of five of our peers, as of Fall 2002 it is higher than the tuition at only three, each of whom receives special state funding that we do not.

On the other hand, we feel obliged to provide our students with a rich and challenging experience and to move forward on other strategic goals. In the middle of this past fiscal year, having absorbed a substantial state budget reduction in October through spending reductions, we adopted a midyear tuition increase to provide funding to improve the first year experience, to increase enrollments, and to expand student aid. We believe we have struck the right balance between keeping tuition as low as possible and providing the resources required to achieve the university's goals. We know that we will have to constantly reexamine that balance as state funding and the university's needs change.

Sponsored program activity has also been growing and has become a larger part of the university's revenue base. Below is a graphic illustration of revenues by source for the year ended June 30, 2002.



State appropriations declined slightly more than 1 percent from \$95.0 million in 2001 to \$93.8 million in 2002. As noted in the table on the preceding page, state appropriations net of OhioLINK fell even more, from \$86.9 million to \$85.4 million.

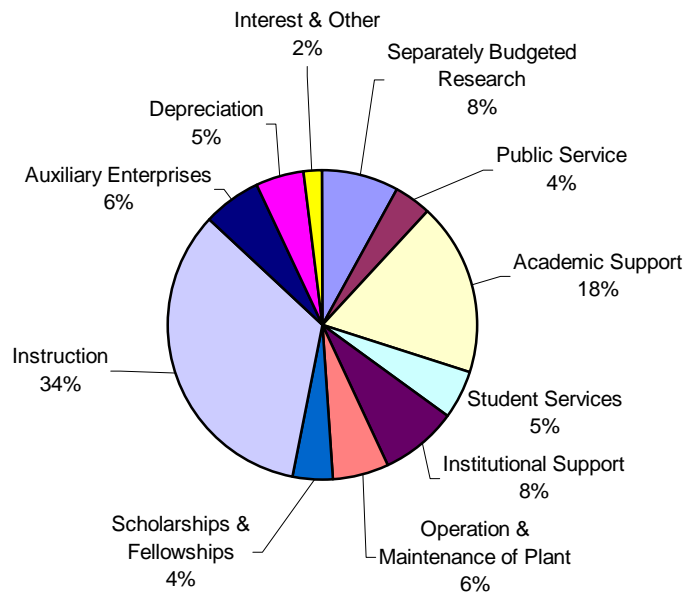
Net student tuition and fees increased over 9 percent from 2001 to 2002, up from \$60.0 million to \$65.6 million. This is a larger than normal increase, which in conjunction with decreases in budgeted expenses, was necessitated by the decrease in state support. The increase also reflects growth in enrollment.

Grants and contracts increased from \$41.2 million in 2001 to \$51.6 million in 2002, an increase of \$10.4 million or 25 percent. Grant and contract activity continues to increase each year. The most significant increase in 2002 was generated from other colleges and universities in support of and participation in the OhioLINK program that is fiscally administered by the University. The 2002 increase for this program was nearly \$6.5 million. In addition, federal PELL grants (financial aid grants issued to students) increased by \$1.5 million from 2001 to 2002.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, increased from \$13.4 million in 2001 to \$15.0 million in 2002. \$0.9 million of the increase is the result of increased reimbursements for School of Medicine faculty salaries from area hospitals for clinical services provided.

Investment income decreased from \$4.3 million in 2001 to \$1.5 million in 2002 due to much lower yields in the fixed income market as well as a broad decline in the equity markets during 2002 as compared to 2001. The overall returns in 2002 were comparable to the return benchmarks defined in the university's investment policy. The policy is designed to produce higher investment yields over the long term.

The following is a graphic illustration of expenses by function for the year ended June 30, 2002:



Academic support expenses increased \$7.9 million or 22 percent from 2001 to 2002. Of this increase, \$6.8 million (or 86 percent of the total increase in academic support) is attributable to increased spending on the statewide OhioLINK program.

The majority of all operating expenses are comprised of employee compensation and benefits. Approximately 63 percent of total operating expenses were employee compensation and benefits for the year ended June 30, 2002. Aside from the increased spending related to the OhioLINK program, the remaining net increases in expenses in 2002 were a result of increases in compensation and benefits, primarily health care costs. In response to decreased funding from the State of Ohio, departments scaled back on discretionary spending, mitigating the overall increase in operating expenses.

A cursory review of the Statement of Revenues, Expenses, and Changes in Net Assets suggests that the university's operating expenses increased by \$13.6 million, or more than 5 percent. The table on the following page shows a very different picture, once OhioLINK expenses and enrollment growth are taken into account.

Net Operating Expenses per FTE

	<u>2002</u>	<u>2001</u>	<u>Difference</u>	<u>Percent Change</u>
Total operating expenses	\$ 243,580,813	\$ 230,001,749	\$ 13,579,064	5.90%
less OhioLINK	<u>17,624,136</u>	<u>10,821,679</u>	<u>6,802,457</u>	62.86%
Operating expenses net of OhioLINK	<u>\$ 225,956,677</u>	<u>\$ 219,180,070</u>	<u>\$ 6,776,607</u>	3.09%
FTE enrollment	13,320	12,906	414	3.21%
Net operating expenses per FTE	\$ 16,964	\$ 16,983	\$ -19	-0.11%

Net operating expenses per FTE student actually dropped by \$19 last year, notwithstanding our increased costs for compensation.

Statement of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2002. A summary of the Statement of Cash Flows is as follows:

	<u>2002</u>	<u>2001</u>
	<u>(All dollar amounts in thousands)</u>	
Cash provided (used) by:		
Operating activities	\$ (85,111)	\$ (85,295)
Noncapital financing activities	98,108	99,100
Capital and related financing activities	(9,596)	(8,560)
Investing activities	<u>119</u>	<u>75</u>
Net increase in cash and cash equivalents	3,520	5,320
Cash and cash equivalents-beginning of the year	<u>30,638</u>	<u>25,318</u>
Cash and cash equivalents-end of year	<u>\$ 34,158</u>	<u>\$ 30,638</u>

Cash and cash equivalents increased \$3.5 million primarily as a result of conservative spending. With the reductions in state appropriations during 2002 and the uncertainty of future reductions, the University simply cut back in its spending. Cash flows from operating activities remained flat in 2002 compared to 2001 and cash flows from noncapital financing activities decreased by \$1.0 million, primarily as a result of the decrease in state appropriations of \$1.2 million. The net use of cash and cash equivalents in capital and related financing activities was driven by capital acquisitions. The University had cash outflows of \$21.7 million for capital acquisitions during 2002, a substantial portion on the renovation of its largest academic building and the creation of a new Union Market food venue. \$13.9 million of the \$21.7 million was financed from external sources.

Capital Assets and Debt

Capital Assets

The University had approximately \$222.1 million invested in capital assets, net of accumulated depreciation of \$137.8 million at June 30, 2002. Depreciation expense for the year ended June 30, 2002 was \$13.4 million compared to \$13.7 million in 2001. A summary of net capital assets for the years ended June 30, 2002 and 2001 is as follows:

	<u>2002</u>	<u>2001</u>
	(All dollar amounts in thousands)	
Land, land improvements and infrastructure	\$ 20,945	\$ 20,780
Buildings	150,703	157,516
Machinery and equipment	15,869	17,078
Library books and publications	19,385	18,662
Construction in progress	15,187	2,835
Total capital assets - net	<u>\$ 222,089</u>	<u>\$ 216,871</u>

The major projects the University undertook during 2002 were a major renovation of Millett Hall, the university's largest academic building, and the development of a Union Market food venue within the Student Union facility. The University spent approximately \$12.2 million on these two projects during the year. Remaining capital additions of \$10.2 million were for routine acquisitions of capital equipment, acquisition of library books and periodicals, and general capital maintenance of facilities. The total expected cost of the Millett project is \$14.8 million. It is funded by state capital appropriations. The Union Market project is expected to cost \$7.8 million. It is primarily funded by institutional resources.

Debt

The University issued no new debt during 2002. Outstanding debt as of June 30, 2002 was \$11.6 million as compared to \$13.2 million at June 30, 2001. At June 30, 2002, the university's debt was comprised of two bond issues with total outstanding balances of \$9.8 million and equipment leases with outstanding balances of \$1.8 million. The bond issues were originally issued to finance student housing and the Nutter Center, the university's athletic, recreational and public entertainment facility.

Economic Factors That Will Affect the Future

Management believes that the University has a solid financial foundation by which to continue accomplishing its mission of teaching, research, and service. The University is not without its challenges, however. As evidenced by the reductions in state appropriations received by the University during 2002, the State of Ohio is faced with its own economic trials. State revenue estimates have had to be revised downward several times. A substantial amount of ongoing state expenses are being funded from one-time revenue sources. The next biennial budget will have to address this structural problem. In addition, challenges to the constitutionality of the current level and method of state funding for primary and secondary education may lead to further increases in support for schools. These factors will make it more difficult for the State to increase its support for higher education. On the other hand, we are encouraged by the growing realization among opinion leaders and elected officials that higher education is a critically important investment in the state's future. In time, we are confident that this realization will lead to increases in state support, notwithstanding the other pressures on the state budget.

With the state funding issues uncertain, the University is focusing on identifying alternative funding sources of revenue. It is currently in the midst of a \$40 million fundraising campaign to help supplement funding for activities such as scholarships, faculty development, program support, and facility improvements. Management believes that these types of efforts will be necessary in the upcoming years in order to provide for the margin of excellence that state funding alone may not permit.

The cost of health care continues to rise at a pace that is becoming increasingly difficult to manage within the constraints of the resources available to address it. The University has taken steps to try to minimize the impact of the very large increases that have been occurring, but there does not seem to be an end in sight for this trend of high annual increases in premiums.

Given the challenges that exist, Wright State University believes that it is well positioned to weather changing economic conditions and to make the investments that will secure an even brighter future.

Report of Independent Accountants

To Wright State University:

In our opinion, the accompanying statement of net assets and the related statement of revenues, expenses, and changes in net assets and cash flows, present fairly, in all material respects, the financial position of Wright State University at June 30, 2002, and its revenues, 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 Wright State University's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the University adopted the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*, for the year ended June 30, 2002.

The Management's Discussion and Analysis (MD&A) on pages 2 to 12 is not a required part of the financial statements but is supplemental information required by the GASB. The MD&A has been reviewed in accordance with standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion on the information.

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In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2002 on our consideration of Wright State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Princeton House Cooper LLP

November 14, 2002

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WRIGHT STATE UNIVERSITY
Statement of Net Assets
June 30, 2002

ASSETS

Current assets:

Cash and cash equivalents	\$34,158,063
Short-term investments	5,886,209
Accounts receivable (net of allowance for doubtful accounts of \$630,000 - Note 3)	18,026,960
Loans receivable (net of allowance for doubtful loans of \$1,512,500)	2,857,241
Inventories	709,377
Prepaid expenses	8,271,883
Deferred charges	3,193,106
Total current assets	73,102,839

Noncurrent assets:

Restricted investments	82,369
Loans receivable (net of allowance for doubtful loans of \$137,500)	13,599,146
Other assets	761,845
Other long-term investments	48,502,789
Capital assets, net (Note 4)	222,088,573
Total noncurrent assets	285,034,722
Total assets	\$358,137,561

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$13,815,562
Accrued liabilities	11,465,539
Deferred revenue (Note 1)	25,100,992
Refunds and other liabilities	667,303
Current portion of long-term liabilities (Note 5)	5,735,627
Total current liabilities	56,785,023

Noncurrent liabilities:

Long-term liabilities (Note 5)	18,975,443
Total noncurrent liabilities	18,975,443
Total liabilities	75,760,466

Net assets:

Invested in capital assets, net of related debt	210,512,948
Restricted - nonexpendable: endowment	
Separately budgeted research	357,337
Scholarships and fellowships	1,003,500
Other	3,044
Restricted - expendable:	
Instruction and departmental research	485,299
Separately budgeted research	2,186,001
Public service	183,934
Academic support	13,874
Scholarships and fellowships	737,611
Loans	15,591,679
Debt service	360,459
Other	3,432
Unrestricted	50,937,977
Total net assets	282,377,095
Total liabilities and net assets	\$358,137,561

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2002

OPERATING REVENUES

Student tuition and fees (net of scholarship allowances of \$16,821,002)	\$65,605,160
Federal grants and contracts	28,999,257
State grants and contracts	7,516,379
Local grants and contracts	575,898
Nongovernmental grants and contracts	14,547,998
Sales and services	14,992,751
Auxiliary enterprises sales (net of scholarship allowances of \$1,222,326)	8,929,833
Other operating revenues	4,603,542
Total operating revenues	<u>145,770,818</u>

OPERATING EXPENSES

Educational and general:	
Instruction and departmental research	84,741,470
Separately budgeted research	20,366,035
Public service	9,241,734
Academic support	44,686,156
Student services	10,984,002
Institutional support	20,083,572
Operation and maintenance of plant	14,562,689
Scholarships and fellowships	10,205,248
Total educational and general	<u>214,870,906</u>
Auxiliary enterprises	15,155,613
Other operating	162,081
Depreciation	13,392,213
Total operating expenses	<u>243,580,813</u>

Operating (loss) (97,809,995)

NONOPERATING REVENUES (EXPENSES)

State appropriations	93,841,358
Gifts	4,321,659
Investment income (net of investment expenses of \$201,143)	1,484,380
Interest on capital asset-related debt	(624,813)
Other nonoperating revenues (expenses)	(3,342,842)
Net nonoperating revenues before capital appropriations and capital grants	<u>95,679,742</u>
Capital appropriations from the State of Ohio	12,996,628
Capital grants	908,841
Total nonoperating revenues (net)	<u>109,585,211</u>

Increase in net assets 11,775,216

NET ASSETS

Net assets - beginning of year (as restated)	270,601,879
Net assets - end of year	<u><u>\$282,377,095</u></u>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 66,245,008
Federal, state, local, and non-governmental grants and contracts	54,515,914
Sales and services of educational and other departmental activities	14,893,082
Payments to employees	(122,318,431)
Payments for benefits	(30,023,543)
Payments to suppliers	(65,991,990)
Payments for scholarships and fellowships	(11,096,657)
Student loans issued	(4,776,526)
Student loans collected	3,469,718
Student loan interest and fees collected	289,078
Auxiliary enterprise sales	<u>9,683,240</u>
Net cash (used) by operating activities	(85,111,107)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	93,841,358
Gifts	<u>4,266,773</u>
Net cash provided by noncapital financing activities	98,108,131

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital appropriations from the State of Ohio	12,996,628
Capital grants received	908,841
Purchases of capital assets	(21,711,195)
Sales of capital assets	491,257
Principal paid on capital debt and leases	(1,656,959)
Interest paid on capital debt and leases	<u>(624,813)</u>
Net cash (used) in capital and related financing activities	(9,596,241)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	84,543,867
Interest on investments	3,042,440
Purchase of investments	<u>(87,466,810)</u>
Net cash provided by investing activities	<u>119,497</u>

Net Increase in Cash and Cash Equivalents **3,520,280**

Cash and Cash Equivalents - Beginning of Year 30,637,783

Cash and Cash Equivalents - End of Year **\$ 34,158,063**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statement of Cash Flows
For the Year Ended June 30, 2002

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

Operating loss	\$ (97,809,995)
Depreciation	13,392,213
Change to allowance for doubtful accounts	300,000
Changes in assets and liabilities:	
Accounts receivable	1,321,101
Inventory	(36,515)
Prepaid expenses	(6,023,731)
Deferred charges	(341,826)
Other assets	(342,389)
Accounts payable	789,800
Accrued liabilities	1,439,429
Deferred revenue	2,548,867
Compensated absences	700,000
State Allocated Unfunded Workers Compensation Liabilities	492,992
Refunds and other liabilities	(234,245)
Loans to students and employees	(1,306,808)
Net cash (used) by operating activities	<u><u>\$ (85,111,107)</u></u>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2002

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of more than 15,800 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's six colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed. The University is a political subdivision of the State of Ohio and accordingly, its financial statements are included, as a discrete entity, in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity". Within the university's financial statements, there are no controlled entities. Affiliated organizations, which are not controlled by the University, such as Alumni and Parents Associations as well as the Wright State University Foundation have been excluded from the university's financial statements.

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

In November 1999, GASB issued Statement No. 35, "Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities." This statement requires public colleges and universities to adopt GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", as amended by GASB Statements No. 37 and No. 38, and apply those standards on a retroactive basis. The University has adopted this statement for the year ended June 30, 2002. Statement No. 35 has significantly changed certain accounting and financial reporting standards for public colleges and universities. This new standard is designed to provide financial information that responds to the needs of primary users of general purpose external financial reports. It requires the statements of net assets; revenues, expenses, and changes in net assets; and cash flows to be reported on a consolidated basis. Other significant accounting changes required by GASB 35 include (1) the recording of depreciation, (2) the reporting of deferred revenues for advance payments on grants and contracts for exchange transactions, and (3) the allocation of summer quarter revenues and expenses between fiscal years rather than recording them all in one fiscal year. In addition, as part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State has allocated a portion of its unfunded workers' compensation liabilities for public employer state agencies and state universities to the individual agencies. As a result, the State required these state agencies and state universities to record these allocated liabilities in their financial statements. Accordingly, these liabilities are recorded in the university's statement of net assets at June 30, 2002 and 2001. The adoption of GASB Statement No. 35 has among other things reduced beginning net assets (previously referred to as fund balances) by approximately \$146 million. Following is a reconciliation of total June 30, 2001 fund balances, as previously reported, to the restated net asset balances for the same period:

Combined fund balances, as previously reported	\$416,364,697
Accumulated depreciation	(130,957,657)
Deferred income – grants and contracts	(15,173,872)
Allocation of State unfunded workers' compensation liabilities (Note 11)	(842,453)
Allocation of summer quarter – net	<u>1,211,164</u>
Combined fund balances, restated as net assets	<u>\$270,601,879</u>

Wright State University

Notes to Financial Statements (Continued)

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. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. All internal (between funds) transactions have been eliminated.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value, as established by the major securities markets. Money market investments (U.S. treasury and agency obligations) that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost and approximate fair value. If contributed, investments are valued at market value at the date of donation. Investment income is recognized on an accrual basis. Purchases and sales of investments are accounted for on the trade date basis. Investment trade settlements receivable and payable represent investment transactions occurring on or before June 30, 2002, which settle after such date. Realized and unrealized gains and losses are reported as investment income or loss.

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

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

Inventories

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

Capital Assets

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, library books, publications and construction in progress. They are recorded at cost at the date of

Wright State University

Notes to Financial Statements (Continued)

acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The university's threshold for capitalizing fixed assets is \$3,000 and an estimated useful life of 5 or more years. Using the straight-line method, all 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 \$16.6 million and \$7.2 million, respectively, for the year ended June 30, 2002.

Net Assets

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

Revenues and Expenses

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

Scholarship Allowances

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

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.

(2) Cash, Cash Equivalents and Investments

At June 30, 2002 the carrying amount of cash and cash equivalents of all funds totaled \$3,492,392 as compared to bank balances of \$7,248,496. The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand of \$59,670. The bank balances are comprised of \$2,084,642 demand and time deposit accounts, a \$2,500,000 certificate of deposit and \$2,663,854 in money market funds. Of the bank balances, \$192,525 is insured by the Federal Deposit Insurance Corporation, \$4,325,408 is uninsured but collateralized by pools of government securities pledged by the depository banks and held by Federal Reserve Banks in the member bank's name, and \$2,730,563 is uninsured and uncollateralized.

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

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

Wright State University
Notes to Financial Statements
(Continued)

The cost and fair value of investments at June 30, 2002 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Repurchase agreements	\$ 7,685,667	\$ 7,685,667
State Treasury Asset Reserve of Ohio	25,480,004	25,480,004
Other	<u>3,200</u>	<u>3,200</u>
	33,168,871	33,168,871
Managed under trust agreements:		
U.S. agency securities	12,837,796	13,022,092
U.S. treasury securities	6,641,216	6,820,013
Corporate bonds	18,277,395	18,420,973
State & municipal bonds	22,668	23,703
Common & preferred stock	7,609,411	6,586,113
Small capital value fund	1,962,450	2,550,523
Small capital growth fund	1,932,043	1,834,104
International equity fund	<u>3,938,307</u>	<u>2,628,277</u>
	53,221,286	51,885,798
Total	\$ <u>86,390,157</u>	\$ <u>85,054,669</u>

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

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

The University also invests funds in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002. STAROhio is not required to be categorized by GASB Statement No. 3.

In addition to the cash and investments listed above, deposits of \$82,369 are held in trust for future payments of principal and interest on the Series 1971 General Receipts Serial bonds.

Wright State University
Notes to Financial Statements
(Continued)

(3) Accounts Receivable

The composition of accounts receivable at June 30, 2002 is as follows:

Sponsor receivables	\$ 8,666,519
Student accounts	5,172,018
Investment trade receivables	2,061,058
Hospital reimbursements	950,358
Interest receivable	499,497
Other, primarily departmental sales and services	<u>1,307,510</u>
Total	\$ 18,656,960
Less: Allowance for doubtful accounts	630,000
Net accounts receivable	\$ <u>18,026,960</u>

Wright State University
Notes to Financial Statements
(Continued)

(4) Capital Assets

Capital assets activity for the year ended June 30, 2002 is summarized as follows:

	<u>Balance</u> <u>07/01/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/2002</u>
Land	\$ 3,049,830			\$ 3,049,830
Land improvements & infrastructure	22,253,174	895,571		23,148,745
Buildings	230,378,221	2,101,134	7,022,675	225,456,680
Machinery & equipment	46,812,160	4,194,197	3,309,647	47,696,710
Library books & publications	42,500,233	2,901,307	73,128	45,328,412
Construction in progress	<u>2,834,968</u>	<u>12,351,748</u>		<u>15,186,716</u>
Total	<u>\$ 347,828,586</u>	<u>\$ 22,443,957</u>	<u>\$ 10,405,450</u>	<u>\$ 359,867,093</u>
Less accumulated depreciation:				
Land improvements & infrastructure	4,522,891	730,285		5,253,176
Buildings	72,862,136	5,640,628	3,748,828	74,753,936
Machinery & equipment	29,733,959	4,842,885	2,749,394	31,827,450
Library books & publications	<u>23,838,671</u>	<u>2,178,415</u>	<u>73,128</u>	<u>25,943,958</u>
Total accumulated depreciation	<u>130,957,657</u>	<u>13,392,213</u>	<u>6,571,350</u>	<u>137,778,520</u>
Capital assets, net	<u>\$ 216,870,929</u>	<u>\$ 9,051,744</u>	<u>\$ 3,834,100</u>	<u>\$ 222,088,573</u>

Construction in progress additions in the above table consist primarily of expenditures for major renovations in Millett Hall and the Student Union dining facility.

Wright State University
Notes to Financial Statements
(Continued)

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, compensated absences, and an allocation of state unfunded workers' compensation. Activity for long-term liabilities for the year ended June 30, 2002 is summarized as follows:

	<u>Beginning Balance 7/1/2001</u>	<u>Additions</u>	<u>Principal Repayments/ Reductions</u>	<u>Ending Balance 6/30/2002</u>	<u>Current Portion</u>
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 10,629,000		\$ 875,000	\$ 9,754,000	\$ 910,000
Equipment leases	<u>2,603,584</u>		<u>781,959</u>	<u>1,821,625</u>	<u>535,053</u>
 Total bonds and equipment leases	 13,232,584		 1,656,959	 11,575,625	 1,445,053
 Other liabilities:					
Compensated absences	11,100,000	7,865,794	7,165,794	11,800,000	4,200,000
Allocation of State unfunded workers' compensation(Note 11)	<u>842,453</u>	<u>580,022</u>	<u>87,030</u>	<u>1,335,445</u>	<u>90,574</u>
Total other liabilities	11,942,453	8,445,816	7,252,824	13,135,445	4,290,574
 Total long-term liabilities	 <u>\$ 25,175,037</u>	 <u>\$ 8,445,816</u>	 <u>\$ 8,909,783</u>	 <u>\$ 24,711,070</u>	 <u>\$ 5,735,627</u>

Bonds payable consist of Series 1971 General Receipts Serial bonds and Series 1993 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of plant fund indebtedness at June 30, 2002 are as follows:

<u>Description</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Bonds Payable:			
Series 1971	2002-2009	3.00%	\$ 454,000
Series 1993	2002-2011	4.70%-5.50%	<u>9,300,000</u>
			9,754,000
 Equipment lease purchase obligations	 2002-2009	 4.40%-5.25%	 <u>1,821,625</u>
		Total	\$ <u>11,575,625</u>

Wright State University
Notes to Financial Statements
(Continued)

The scheduled maturities of bonds and equipment leases for the years subsequent to June 30, 2002 are as follows:

Year Ended June 30	Principal	Interest	Total
2003	\$ 1,445,053	\$ 559,984	\$ 2,005,037
2004	1,279,302	496,228	1,775,530
2005	1,207,732	440,021	1,647,753
2006	1,242,140	383,411	1,625,551
2007	1,311,532	323,419	1,634,951
2008-2011	<u>5,089,866</u>	<u>633,153</u>	<u>5,723,019</u>
Total	<u>\$ 11,575,625</u>	<u>\$ 2,836,216</u>	<u>\$ 14,411,841</u>

All general receipts of the University, except for State appropriations, are pledged for payment of both the 1971 and 1993 bonds.

(6) Retirement Plans

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

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

Plan participants are required to contribute 9.3% and 8.5% and the University 14.0% and 13.31% of the employees' covered compensation for STRS and PERS, respectively. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$6,866,452, \$6,631,924, and \$6,498,978, and to PERS were \$5,718,930, \$4,335,404, and \$5,237,156, for the years ended June 30, 2002, 2001, and 2000 respectively, equal to the required contributions for each year.

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

Under the provisions of ARP, the required contribution rates for plan participants are 9.3% and 8.5% of employees' covered compensation for employees who would otherwise participate in

Wright State University

Notes to Financial Statements
(Continued)

STRS and PERS, respectively. The University contributes 13.31% of a participating unclassified staff member's compensation to the participant's account. Effective October 1, 2001 the university's contributions to a participating faculty member's account and to STRS changed from 8.24% and 5.76% of a participant's compensation, respectively, to 10.5% and 3.5%, respectively. Plan participants' contributions were \$1,957,109, \$1,615,807, and \$1,336,598 and the university's contributions to the plan providers amounted to \$2,571,028, \$1,746,576, and \$1,780,512 respectively, for the years ended June 30, 2002, 2001, and 2000. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$451,863, \$567,181, and \$443,405 respectively, for the years ended June 30, 2002, 2001, and 2000.

(7) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while PERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under PERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 4.5% of the total 14.00%, while the PERS rate was 4.3% of the total 13.31% (see note 6) for the year ended June 30, 2002.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and PERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.256 billion at June 30, 2001. The number of benefit recipients eligible for OPEB was 102,132 for STRS at June 30, 2001. The amount contributed by the University to STRS to fund these benefits was \$2,207,074 for the year ended June 30, 2002.

Postretirement health care under PERS is advance-funded on an actuarially determined basis. The actuarial value of PERS net assets available for OPEB at December 31, 2000 is \$11.736 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14.365 billion and \$2.629 billion, respectively. The number of PERS active contributing participants was 411,076 for the year ended December 31, 2000. For the year ended June 30, 2002 the University contributed \$1,847,588 to PERS for OPEB funding.

(8) Related Organization

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation totaled approximately \$41,000,000 at June 30, 2002. Such assets relate principally to donor restricted funds and are not recorded in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating gifts in the accompanying financial statements. In addition, the University had an account receivable of approximately \$700,000 from the Foundation at June 30, 2002.

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

Wright State University
Notes to Financial Statements
(Continued)

discrete presentation of the foundation's financial results within the university's financial statements.

(9) State Support

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

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

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

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

(10) Commitments and Contingencies

At June 30, 2002, the University is committed under contractual obligations for:

Capital expenditures	\$ 6,535,152
Non-capital goods and services	<u>3,028,807</u>
Total contractual commitments	\$ <u>9,563,959</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 1,047,603
University funds	<u>8,516,356</u>
Total sources	\$ <u>9,563,959</u>

The contractual commitments above include \$6,048,709 for various capital projects, of which, \$1,047,603 are funded by state capital appropriations and \$5,001,106 by University funds.

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

Wright State University

Notes to Financial Statements
(Continued)

(11) Unfunded Workers' Compensation Liability

Under the State of Ohio's Workers' Compensation program, the University is part of a pool of state agencies and state universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Ohio Bureau of Workers' Compensation (BWC) calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for injured workers and sets rates for each participating state agency and university to collect the estimated cash need in the subsequent one-year period. As these claims will be paid out over a period of time, BWC also actuarially calculates the amounts payable in future years for the entire pool of state agencies and state universities.

As part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State of Ohio has required each state agency and state university to record a portion of the pool's estimated actuarial liability in its financial statements. The amount allocated to each agency and state university was calculated by the State of Ohio on the basis of actual premium payments paid to BWC during the current fiscal year divided by such payments made by all participating entities. Accordingly, the university's Statement of Net Assets reflects unfunded workers' compensation liabilities of \$1,335,445 at June 30, 2002.

Management acknowledges that its premium payments to BWC through June 30, 2002 were designed to meet the cash needs of the agency and did not cover the full liability resulting from injuries incurred through June 30, 2002 to workers of state agencies and state universities participating in the pool. Consequently, some of the costs resulting from such injuries will be funded from future premium payments to the pool. The decision to record this liability was a result of determinations made by the State of Ohio in its interpretations of the treatment of the unfunded pool obligation. In addition, the recording of this liability is based on an allocation of the entire pool on a pro-rata basis to the participating state agencies and state universities. Such amount could differ had a separate actuarial computation by participating state agencies and state universities been performed.

WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER:		
U.S. Department of Education Direct Programs:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 515,439
Federal Family Education Loans (Note B)	84.032	
Federal Work Study	84.033	772,205
Federal Perkins Loan (Note C)	84.038	
Federal Pell Grant	84.063	<u>6,699,682</u>
Total U.S. Department of Education Direct Programs		<u>7,987,326</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	68,682
Financial Assistance for Disadvantaged Students (Medicine)	93.139	30,244
Scholarships for Disadvantaged Students Program (SOPP)	93.925	<u>16,132</u>
Total U.S. Department of Health and Human Services Direct Programs		<u>115,058</u>
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER		<u>8,102,384</u>

See notes to the Schedule of Expenditures of Federal Awards.

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WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER:		
National Institute of Standards and Technology, Subcontract -		
Development of a Thermo-Mechanically Induced Geometric Variation Estimator	11.609	\$ 102,755
U.S. Department of Education, Prime:		
Lower-Limb Prosthetic Socket CAD System	84.133	(259)
Rehabilitation Research and Training Centers (RRTC) on Drugs and Disability	84.133	632,723
Total U.S. Department of Education, Prime		632,464
U.S. Department of Education, Subcontract:		
A Research Study on the Effectiveness of the PALS Approach	84.186A	73,010
Addressing Disability Rehabilitation Among Racial Minorities: A Focus on HIV and/or Substance Disorders	84.133B	24,693
The PALS Prevention Approach for Youth with Learning Disabilities	84.027	19,875
Evaluation of the Phonics Demonstration	84.338	36,073
Total U.S. Department of Education, Subcontract		153,651
Total U.S. Department of Education		786,115
U.S. Department of Health and Human Services, Prime:		
Active Potassium Transport Across Colonic Epithelium	93.848	30,834
Aging and Pilot Time-Sharing Performance	93.866	115,716
Analysis of the Human c-myc Gene Regulation Origin	93.862	328,432
Antiphospholipid Antibodies and Disorders of Pregnancy	93.865	6
Baroreceptor/Hormonal Interactions	93.837	(3,947)
Cell Volume Regulation in Neurons and Glia	93.853	1,430
Crack and Health Service Use: A Natural History Approach	93.279	678,075
Early Response of Corneal Epithelium to UV - Induced Death	93.867	20,389
Enhanced Treatment through Induction and Case Management	93.279	108,743
Environmental Light and Retinal Membrane Development	93.867	285,144
Genetic and Environmental Influences on Childhood Growth	93.865	102,349
Genetic Epidemiology of Aging and Body Composition	93.866	243,421
Genetic Epidemiology of Bone Turnover Markers	93.866	2,703
Genetic Epidemiology of Childhood Skeletal Maturation	93.865	600,840
Genetics of Adipose Tissue Deposition During Childhood	93.865	5
Higher Order Mechanisms in Color Discrimination	93.867	133,738
Intracellular pH Responses of Central Chemoreceptors	93.838	246,450
Magnesium Sulfate Effects on Pregnant Human Uterus	93.865	104,904
MDMA/Club Drug Use and STD/HIV Sex Risk Behavior in Ohio	93.279	302,470
MdmX Regulation of the p53 Tumor Suppression Protein	93.396	206,930
Mechanisms of Cellular Taurine in Brain Edema	93.854	102,859
Mechanisms of Mammalian Neuronal Integration	93.854	278,518
Molecular Mechanisms of Vasopressin Cytotoxicity in Inherited Diabetes Insipidus	93.847	157,690
Molecular Mechanisms of Retinal GABA Receptor/Channel	93.867	52,823
Molecular Mechanisms of Retroviral Variation	93.393	58,845
MVPS: Health Concerns, Role Function, Health Service Use	93.361	6,549
Neurologic Resource in the Quicktime Streaming Format	93.879	44,815
Prediction of Irritation Based on Exposure Duration	93.262	85,866
Recognition and Repair Of Cisplatin - DNA Damage	93.395	293,592
Regulation of Spinal Interneuron Input-Output Functions	93.854	243,795
Scabies: Biology Culture Host Specificity and Antigens	93.855	292,775

See notes to the Schedule of Expenditures of Federal Awards.

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WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Health and Human Services, Prime (Continued):		
Sexual Maturity for U.S. Children: Relationship with Growth	93.865	\$ 271,292
Signal Transduction In Neutrophil-Mediated Heart Injury	93.837	104,075
Statistical Analysis of Body Composition Risk Factors	93.865	37,826
Subcutaneous Fat, Blood Lipids and Subsequent Outcome	93.865	1,476,532
Synaptic Mechanisms of Spinal Cord Sensory Fibers	93.854	1,836
Total U.S. Department of Health and Human Services, Prime		<u>7,018,320</u>
U.S. Department of Health and Human Services, Subcontract:		
Anti-Resorptive Bone Therapy for Osteopenia in Gaucher Disease	93.103	11,921
Divergence of Blood Pressure in Adolescent Girls	93.837	14,946
Increasing Substance Abuse Treatment Compliance for Persons with Traumatic Brain Injury	93.144	85,039
Medicaid Expansion: Outreach Evaluation	93.978	849
PRIME Curricular Reform Project	93.230-99-001	12,471
Randomize Calcium Trials in High Risk Pregnancies	93.865	5,261
Structures of Antibiotics and Related Compounds	93.862	41,079
Total U.S. Department of Health and Human Services, Subcontract		<u>171,567</u>
Total U.S. Department of Health and Human Services		<u>7,189,887</u>
U.S. Department of Defense, Air Force, Prime:		
A Study Of World Class Suppliers: Their Characteristics and Role in the Procurement Process	12.N00244-00-C-0096	6,289
Aircraft Mechanical/Thermal Technology Research	12.800	42,948
Cellular Mechanisms Oxygen Toxicity in the Mammalian Central Nervous System	12.300	187,213
Chromium Analysis by Graphite Furnance Atomic Absorption Spectroscopy	12.IPA-MCGOWIN	88
Computational Mathematics for Determining Uncertainty Bounds	12.800	59,935
Decision Support for the Army's Digital Tactical Operations (TOC)	12.DAAG0-00-P0327	(460)
Design and Development of the TWASP to Support Modeling for Team Training	12.N61339-02-C-0063	20,714
Design of Interface Symbology and Information Access for Enemy Forces	12.DAAG60-01-P-0478	4,999
Digital Symbology for the Army's Digital Tactical Operations (TOC)	12.DAAG60-00-P-0626	4,089
Evolving Pattern Recognition Systems	12.F33615-99-C-1441	89,038
Hyperbaric Imaging Equipment: In Vitro Studies of Oxygen Toxicity	12.300	27,276
Identification and Elimination of Defects and Impurities in GaN	12.800	207,923
Image Segmentation Evaluation Study	12.F33615-01-C-1853	12,391
Intelligent Distributed Group and Team Training System in AWACS	12.630	17,024
Intergovernmental Personnel Agreement - Dilsavor	12.IPA/DILSAVOR	132,740
Intergovernmental Personnel Agreement - Johnston	12.IPA-JOHNSTON	51,091
Intergovernmental Personnel Agreement - Minardi	12.IPA/MINARDI	146,014
Intergovernmental Personnel Agreement-Greenberg	12.IPA-GREENBERG	1,501
Intergovernmental Research Personnel Agreement - Allen	12.IPA-ALLEN	4,554
Investigation of Microwave Attenuation in Plasma	12.800	70,561
Low Level Chemical Toxicity: Relevance to Chemical Agent Defense	12.DAMD17-00-0020	2,047,592
Materials for High Speed Devices	12.F33615-00-C-5402	769,659
Mathematical Modeling, Simulation and Control of Physical Processes	12.800	35,360
Mathematical Investigation of Perfect Arrays	12.901	16,491
Multidisciplinary Nonlinear Sensitivity Analysis	12.80	42,585
Object Oriented Multidisciplinary Design	12.F33615-94-C-3211	142,976
Performance Prediction of ATR Technologies	12.F33615-98-C-1315	232
Precision Design, Modeling and Instrumentation in Turbomachinery	12.F33615-98-C-2895	170,649

See notes to the Schedule of Expenditures of Federal Awards.

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WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Defense, Air Force, Prime (Continued):		
Simulating the Interactions of Genes, Proteins and Metabolite	12.800	\$ 78,382
Synthetic Aperture Radar (SAR) ATR Parametric Study	12.F33615-01-C-1852	11,154
Two Projects in Algebra and Combinatorics	12.901	<u>285</u>
Total U.S. Department of Defense, Air Force, Prime		<u>4,401,291</u>
U.S. Department of Defense, Air Force, Subcontract:		
Advanced Adaptive Optical Coating Process Technology	12.F33615-00-C-5521	(208)
Analog-To-Digital Converter Development	12.F29601-01-C-0112	32,591
Center for Advanced Nitride Electronics	12.800	43,049
Characterization of Thin Film Superconductors	12.F33615-98-D2867	17,066
CMOS Integrated Circuit Design	12.F33615-96-2-1945	1,222
Concentration Effects of Simulated Random Realistic Damage	12.F33615-98-3210	8,055
Controlling the Apparent Vocal Effort of Synthetic Speech	12.F41624-97-D6004/D018	37,624
Cultural Decentering	12.431	57,323
Developing Effective Strategies and Performance Metrics for Automatic Target Recognition	12.431	19,739
Develop Modeling and Simulation for Magneto-Gasdynamic Phenomena	12.F33601-98-DJ009	6,624
Distributed Multirate Multiple Model Filtering with Out-Of-Sequence Data	12.F33615-02-C-1151	186
Genetic Algorithms Toward the Design of Human Interfaces	12.F33615-98-D-6000	9,721
Handheld One-Way Voice Communication System	12.DAAH01-01-C-R146	83,534
High Speed/Resolution Delta Sigma Analog-To-Digital Convert	12.F33615-01-C-1860	171,731
Image Processing Card for PC Based Simulators	12.DAAB07-01C-J203	1,566
In Situ Stressors In Sudbury River System Near the Nyanza	12.800	25,609
Intelligent Distributed Group and Team Training Systems	12.630	249,216
Investigation of Soft Particle Base Meso-Matter Phase Transformation using Micro-Raman Spectroscopy	12.F33615-96-D-5835	1,989
Investigation of Structure and Phase Transitions in Mesoscopic Systems	12.F33615-96	27,287
Large-Scale, Multi-Agent, Distributed Mission Planning and Execution in Complex Dynamic Environment	12.800	72,007
Laser-Based Nano and Micro Machining for Meso-Matter Tooling and Fabrication	12.800	67,658
Microscopic Characterization of Carbon Materials	12.F33615-97-D-5009	6,584
Modeling and Control Support for Pneumatic Muscle Actuator	12.F33615-98-D-6000	3,495
Monobit Receiver Design and Implementation	12.F33615-01-D-1844	9,831
Nanoporous SiC and GaN	12.300	43,691
Nonlinear Brain Image Registration	12.F33615-95-C-1750	67,929
Order Statistics for FOPEN Target Detection	12.F33616-98-D-1232	19,557
Pattern Recognition and Control of Automated IR Images	12.SBIR	(1,000)
Plasma Transport Property Measurement for Mach 6 Wind Tunnel	12.F33601-98-DJ009	45
Polymer-Supported Routes to Polynemonomers for NLO Applications	12.F33615-97-D-5403	8,078
Python-Based Generic Proper Orthogonal Decomposition Simulation Control Tool	12.F33615-98-C-2807	16,775
Real-Time Interactive Scheduling in Air Force Logistics	12.F41624-98-C-5003	14,661
Single Ionic Conducting Polymer Electrolyte	12.F33615-98-D-2891	31,243
Support Situation Understanding in National Missile Defense	12.DAAD19-01-C0065	109
Target Detection in Virtual Environments	12.F41624-97-D6--4/0018	12,625
The Cultural Lens in Asymmetrical Operations	12.DAAH01-00-C-R094	21,887
Training and Experimentation Environment for Cooperative Use	12.DAAH04-96-C-0086	23,130
Visible and Infrared Sensor Fusion	12.800	46
Wavelets-Feature-Aided Tracking (WFAT)	12.F33615-94-D-1406	<u>(26)</u>
Total U.S. Department of Defense, Air Force, Subcontract		<u>1,212,247</u>
Total U.S. Department of Defense, Air Force		<u>5,613,538</u>

See notes to the Schedule of Expenditures of Federal Awards.

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WRIGHT STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Energy, Prime:		
Continuous Severe Plastic Deformation Processing - Aluminum Alloys	81.086	\$ 136,715
Development of Dopamine Receptor Radiopharmaceuticals for the Study of Neurological and Psychiatric Disorders	81.DE-FG02-98ER62540	<u>1,019</u>
Total U.S. Department of Energy, Prime		<u>137,734</u>
U.S. Department of Energy, Subcontract -		
Fast Opto-Electronic Floating Point Multiplication	81.DE-AC05-00OR22725	<u>4,283</u>
Total U.S. Department of Energy		<u>142,017</u>
Total U.S. Department of Transportation, Prime -		
Controller Pilot Data Link Communications (CPDLC) Program	20.DTFA0301P10146	<u>77,051</u>
U.S. Department of Transportation, Subcontract -		
Identifying Potential Collapse Features under Highways	20.205	<u>(580)</u>
Total U.S. Department of Transportation		<u>76,471</u>
U.S. Environmental Protection Agency, Prime:		
Analysis of Human Sera Samples from Dialysis Clinic Patients	66.501	756
Disruption of Immune Function by Environmental Contaminants	66.501	119,073
Human Biomarkers for Cyanobacterial Toxins - the Cyanotoxins	66.500	2,225
Intraspecies Genetic Diversity Measures of Environmental Impacts	66.500	20,878
Measurements of Dioxins and Furans in Environmental Samples	66.501	13,832
Sediment Contamination Assessment Methods: Validation Of Standardized and Novel Approaches	66.500	<u>(4,418)</u>
Total U.S. Environmental Protection Agency, Prime		<u>152,346</u>
U.S. Environmental Protection Agency, Subcontract:		
Investigation of the Cause of Eared Grebe Mortality at the Salton Sea: Algal Blooms and Biotoxins	66.501	18,469
PCDDS/PCDFS in Industrial Wastestreams - Parsons Engineering Science	66.000	(302)
River Index Project	66.469	<u>20,300</u>
Total U.S. Environmental Protection Agency, Subcontract		<u>38,467</u>
Total U.S. Environmental Protection Agency		<u>190,813</u>
U.S. Federal Highway Administration, Subcontract -		
Identification of Pavement Marking Colors	20.205	<u>3,667</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, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
U.S. Department of Justice, Subcontract:		
Community AOD Case Management Project - F02: Community Corrections	16.579	\$ 47,342
Institutional AOD Case Management Project - F01: Residential Corrections	16.579	96,307
Total U.S. Department of Justice, Subcontract		<u>143,649</u>
National Aeronautics and Space Administration, Prime:		
Defects in AlGaIn/GaN HEMT Devices	43.001	108,521
Distributed Work in Complex, Dynamic Domains	43.001	44,749
Dynamic Calibration of Pressure Sensors at Elevated Temperatures	43.001	6,810
Human Centered Support/Telerobotic Planetary Exploration (II)	43.001	39,974
Model Studies of Excited States of N2 and N+2 in the Thermosphere/Ionosphere	43.001	20,313
Total National Aeronautics and Space Administration, Prime		<u>220,367</u>
National Aeronautics and Space Administration, Subcontract:		
Application of Remote Sensing to the Ohio Environment	43.001	48,090
Investigate the Feasibility of Fabricating Large Scale Dual Microstructure YBCO Toroid	43.001	(158)
Visual Orientation and Spatial Memory: Mechanisms and Countermeasures	43.001	51,996
Total National Aeronautics and Space Administration, Subcontract		<u>99,928</u>
Total National Aeronautics and Space Administration		<u>320,295</u>
National Science Foundation, Prime:		
Arrays over Small Phase Alphabet Having Desirable Correlation Properties	47.049	58,144
Bioengineering Design Projects for the Disabled	47.041	22,636
Calcium Homeostasis Modeled on the Freshwater Crayfish Molting Cycle	47.074	53,402
CAREER - Maturation of Synaptic Properties during Early Postnatal Development	47.074	145,177
Collaborative Research: Impacts of a Strong Interactor along a Productivity Gradient	47.074	(579)
Computational Models for Sensor-Based Machine Olfaction	47.070	49,383
Creep Fracture of Graphite/Polymer Composites	47.041	(114)
Cross-Modal Analysis of Signal and Sense	47.075	761,920
Cross-Modal Analysis of Signal and Sense - Foreign Travel	42.075	9,949
Genetics of Haldane's Rule in Caenorhabditis	47.040	14,538
Geostatistical Anatomy of Buried - Valley Aquifers - III	47.050	29,194
Gesture, Speech, and Gaze in Discourse Management	47.070	107,701
High-Efficiency Microwave Power Amplifiers with Polyharmonic Operation	47.075	7,286
Localization of Peptide Hormone Action in Kidney	47.074	(227)
Physiological and Molecular Characterization of the Ca Pump and Exchanger	47.074	1,935
REU: Effect of Dietary Protein on Structure and Function of the Avian Nephron	47.074	3,528
RUI: Effect of Dietary Protein on Structure and Function of the Avian Nephron	47.074	7,592
RUI: Physiological and Molecular Characterization of the Ca Pump and Exchanger	47.074	(8,780)
Social Influences on Endocrine and Behavioral Responses	47.074	71,171
Solute Transport in Multimodal, Heterogeneous Geological Formations	47.050	60,060
Specialized Communication and Terminal Equipment	47.070	(837)
Speech Driven Facial Animation	47.070	73,834
Strategic Control of Time-Sharing Performance	47.075	69,959

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (Continued)		
National Science Foundation, Prime (Continued):		
Supplement - Research in Undergraduate Institutions	47.075	\$ (256)
Trajectory Networks in Human Motion Processes	47.075	36,726
U.S. Brazil Cooperation - NSF POWRE	47.074	40,931
Web-Based Robotics: Supporting Wilde Area Educational Access	47.070	<u>28,473</u>
Total National Science Foundation, Prime		<u>1,642,746</u>
National Science Foundation, Subcontract:		
Computer-Assisted Document Interpretation Tools	47.041	31,060
Intellistitch AI: Intelligent Computerized Embroidery Design	47.DMI-0060306	<u>46,702</u>
Total National Science Foundation, Subcontract		<u>77,762</u>
Total National Science Foundation		<u>1,720,508</u>
U.S. Department of Agriculture, Prime:		
Dioxins in Biological Samples	10.53-82HW-8-4	(1,286)
Reciprocal Cross Effects on Pathogens and Insects	10.206	<u>44,396</u>
Total U.S. Department of Agriculture, Prime		<u>43,110</u>
U.S. Fish and Wildlife Services, Subcontract:		
Chlorinated Compounds in Tissue and Sediments	15.605	26,000
Web-Based Solutions/Satellite Data Presentation, Analysis	15.808	<u>11,746</u>
Total U.S. Fish and Wildlife Services, Subcontract		<u>37,746</u>
International Development Corporation Agency, Subcontract -		
Restoration and Development of Lake Maryut	12.US AID	<u>20,000</u>
U.S. Department of Housing and Urban Development, Prime -		
Dayton Community Outreach Partnership Center	14.511	<u>(709)</u>
U.S. Veterans Administration, Prime -		
Biomedical Laboratory Support Services - Baumann	64.103	<u>13,343</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER		<u>16,403,203.00</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, 2002

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
U.S. Department of Education Direct Programs:		
Accessible Arts Consortium	84.128J	\$ 46,505
Accessible ATOD and Violence Prevention for Youth with Disabilities	84.186	51,710
Capacity-Building Faculty Support	84.048	109,576
Career-Technical Distance Delivery	84.048	36,697
I-NET: Internationalizing Networks through Education and Technology	84.153A	47,202
Involvement in European and Western Hemispheric Studies	84.016A	53
Needs Assessment and Focus Group Plan for Families with Developmental Delays	84.181	10,000
Ohio Career-Technical Education Leadership Institute	84.048	77,320
Physical Science Modular Professional Development Program	84.116	42,706
Professional Growth in the Wright Direction	84.279	1,000
Science Mentor Professional Development Institute	84.281	(1)
The Rural Integrated Science Experience (RISE)	84.281	1,966
Transitioning into the Primary Classroom: Hand In Hand	84.323A	16,355
U.S. Brazil Biotech Training Consortium (USABRIO)	84.116M	8,198
West Central Ohio Tech Prep Consortium Mini Grant FY02	84.USDE	6,397
Total U.S. Department of Education Direct Programs		<u>455,684</u>
Corporation for National and Community Service, Prime:		
A Healthy Child is a Better Learner	94.005	229,614
Practicum Training	94.005	2,133
Total Corporation for National and Community Service, Prime		<u>231,747</u>
U.S. Department of Health and Human Services, Prime:		
Acute Care Nurse Practitioner Program	93.299	166,706
Anatomical Resource In The Quicktime VR Format	93.879	43,728
Enhancing Community - Based Research Capacity in Family Medicine	93.984	14,991
Expansion of Alliance for Research in Community Health	93.984	78,269
Grandparents/Grandchildren Initiative (GPGCI)	93.110	17,186
Healthlink Miami Valley Network	93.252	289,266
High School Minority Student/Teacher Science Enrichment	93.389	72,127
Nurse Practitioner/Nurse Midwifery Program	93.298	181,595
Online Nurses: RN-BSN Program via the Internet	93.359	231,726
Predoctoral Training in Family Medicine	93.896	125
Predoctoral Training in Primary Care	93.896	108,197
Professional Nurse Traineeship	93.358	86,754
Public Health Conference Support Program	93.283	11,666
Short Term Training for Minority Students (STREAMS) at Wright State University	93.837	48,380
Total U.S. Department of Health and Human Services, Prime		<u>1,350,717</u>
U.S. Department of Health and Human Services, Subcontract:		
Dayton Clinical Oncology Program (DCOP) Fiscal Agency	93.399	344,868
Dayton-Columbus HIV Outreach/Prevention Project	93.959	13,573
Development of a Training Manual and Video Script for Public Health	93.110	30,040
Graduate Research Assistant Stipend-Wey Zheng	93.867	11,934
HIV Early Intervention Project	93.949	2,639
Outreach and Prevention/Intervention HIV Project	93.959	232,768
PECE-PACT:Parents Early Childhood Education/Positive Action Choices Training	93.959	65,820

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

WRIGHT STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
Total U.S. Department of Health and Human Services, Subcontract (Continued):		
Preventing Abuse in the Home (PATH)	93.591	\$ 49,526
Ryan White Consortium #4, Evaluation Analysis	93.917	(1)
Violence Prevention Training	93.959	<u>2,570</u>
Total U.S. Department of Health and Human Services, Subcontract		<u>753,738</u>
Total U.S. Department of Health and Human Services		<u>2,104,455</u>
U.S. Department of Agriculture, Prime -		
Iddings Foundation Matching Funds	10.559	<u>4,274</u>
U.S. Department of Justice, Prime -		
Violence Prevention In Montgomery County	16.579	<u>25,236</u>
U.S. Department of Defense, Air Force, Prime:		
Air Force ROTC-Uniform Commutation Fund	12.AFROTCR170-1	27,155
Intergovernmental Personnel Agreement - Lyons	12.IPA-LYONS	<u>27,712</u>
Total U.S. Department of Defense, Air Force, Prime		<u>54,868</u>
U.S. Department of Labor, Subcontract -		
Train the Trainer	17.255	<u>3,598</u>
U.S. Department of Housing and Urban Development, Prime:		
Dayton Community Outreach Partnership Center	14.511	65,438
Old North Dayton Marketing Study	14.511	<u>2,416</u>
Total U.S. Department of Housing and Urban Development, Prime		<u>67,854</u>
U.S. Environmental Protection Agency, Prime -		
Cyanotoxin Standard of ELISA/Cylindrospermopsin and Anatoxin-A	66.501	<u>2,266</u>
National Aeronautics and Space Administration, Prime -		
Aerospace Medicine Residency Program	43.001	<u>664,557</u>
National Endowment for the Humanities, Prime -		
Living and Working in Ohio's Miami Valley, 1890-1929	45.166	<u>9,077</u>
National Endowment for the Humanities, Subcontract -		
Living and Working in the Miami Valley, 1890-1945	45.166	<u>1,297</u>
Total National Endowment for the Humanities		<u>10,374</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, 2002**

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number or Primary Grant Number	Expenditures
National Science Foundation, Prime:		
Computer Science, Engineering and Mathematics Scholarships Program at Wright State University	47.076	\$ 91,755
Creating Laboratory Access for Science Students with Disabilities	47.076	11,835
Crossing the Interdisciplinary Barrier: Bioinformatics	47.070	74,533
High Performance Connection	47.070	103,948
International Economics Workshop	47.070	411
Laboratory-Based Courses on Firewalls and Internet Security	47.040	1,192
Making Biology Laboratories Effective Learning Environments	47.074	294,111
Research Foundations on Successful Participation of Underrepresented Minorities in Information Technology	47.070	13,529
Research: Undergraduate Instruction in Combinatorial Chemistry	47.076	1,032
UMEB: Wright State University Partners with Wilberforce to Yield RESULTS	47.074	<u>30,308</u>
Total National Science Foundation, Prime		<u>622,654</u>
Small Business Administration, Prime -		
Dayton Business LINC Partnership	59.037	<u>53,231</u>
Small Business Administration, Subcontract:		
International Trade Program	57.037	5,753
Small Business Development Center	59.037	<u>267,754</u>
Total Small Business Administration, Subcontract		<u>273,507</u>
Total Small Business Administration		<u>326,738</u>
U.S. Department of Veterans Administration, Prime -		
Environmental Health Sciences Internship Program	64.103	<u>3,260</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 29,083,153</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Concluded)

WRIGHT STATE UNIVERSITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2002

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Wright State University under programs financed by the U.S. government for the year ended June 30, 2002.

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, 2002, are summarized as follows:

Federal Stafford Loans	\$ 20,861,724
Federal Unsubsidized Stafford Loans	22,216,169
Federal Parental Loans for Undergraduate Students (PLUS)	<u>8,028,212</u>
	<u>\$ 51,106,105</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, 2002
Federal Perkins Loan Program	84.038	\$ 11,770,383
Loans to Disadvantaged Students	93.342	264,139
Health Professions Student Loan Program	93.342	265,903
Nursing Student Loan Program	93.364	870,093
Primary Care Loan Program	93.342	2,178,209

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	\$ 2,148,594
Loans to Disadvantaged Students	93.342	
Health Professions Student Loan Program	93.342	
Nursing Student Loan Program	93.364	187,030
Primary Care Loan Program	93.342	662,014

* * * * *

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

The Board of Trustees of Wright State University:

We have audited the financial statements of Wright State University (the “University”) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 14, 2002, which includes a matter of emphasis paragraph concerning the adoption of Governmental Accounting Standards Board (“GASB”) Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for the Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Wright State University in a separate letter dated November 14, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting

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would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

November 14, 2002

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**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**

The Board of Trustees of Wright State University:

Compliance

We have audited the compliance of Wright State University (the “University”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The University’s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of University’s management. Our responsibility is to express an opinion on the University’s compliance based on our audit. We did not audit the University’s compliance with the billing, recordkeeping, payment processing, collections, reporting and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the *OMB Circular A-133 Compliance Supplement*. Compliance with these requirements was examined by other auditors whose report has been furnished to us, and our opinion, 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.

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In our opinion, based on our audit and the report of the 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, 2002.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. We did not consider internal control over compliance with the billing, record keeping, 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 and the other auditor's consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure over compliance and its operation that we consider to be material weaknesses.

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

Princeton Cooper LLP

November 14, 2002

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WRIGHT STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

Part I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financing reporting:

▶ Material weaknesses identified? _____ yes X no

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

▶ Material weaknesses identified? _____ yes X no

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

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

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

Identification of Major Programs:

A. Student Financial Aid - Cluster

B. Research and Development - Cluster

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

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

WRIGHT STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2002

Part II - Financial Statement Findings

No items noted.

Part III - Federal Awards Findings and Questioned Costs

No items noted.

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**Wright State University
Intercollegiate Athletics
Department**

**Report of Independent Accountants on
Applying Agreed-Upon Procedures
for the Year Ended June 30, 2002**

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

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

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

Procedures Related to the Accounting Records

- a. We obtained the Statement of Revenues and Expenditures of the Intercollegiate Athletics Department for the year ended June 30, 2002, as prepared by management and as shown on page 4. We recalculated the addition of the amounts on the statement and compared actual expenditures to the 2002 budgeted expenditures.
- b. We obtained the University's supporting documentation on basketball ticket sales and reconciled financial data therein to the Statement of Revenues and Expenditures for the intercollegiate athletics department. For one basketball game, we obtained the summary of ticket sales and traced the amount to the Total Game Ticket Sales Reconciliation, noting no exceptions.
- c. We agreed the basketball guarantee revenues (away games) and expenditures (home games) to the signed contracts and other supporting documentation, noting no exceptions.
- d. We obtained an understanding of the University's methodology for recognizing gift income in the intercollegiate athletic department to the extent that expenses have been incurred and reimbursement has been requested from Wright State University Foundation

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

- e. We inspected a report detailing all contributions received for intercollegiate athletics. We noted one contribution of \$35,000 received directly by the University, which constituted more than 10% of all contributions.

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

Procedures Related to the Internal Accounting Controls

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

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

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

Procedures Related to Wright State University Foundation

- h. We obtained the list of outside programs and related financial activities for the year ended June 30, 2002, which is included on page 5 of this report.
- i. We were informed by the athletic business manager that the information referred to in "d." above is a complete list of programs outside the University's financial reporting system which conducted financial transactions for or in behalf of the University's intercollegiate athletic programs during the year ended June 30, 2002.
- J. We confirmed directly with officers of the Foundation that the data contained in "d." above represents a complete and accurate summary of all business transacted for or in behalf of the University's intercollegiate athletic programs during the year ended June 30, 2002.
- k. We obtained the financial statements of the Foundation for the year ended June 30, 2002, which had been examined by independent auditors who expressed an unqualified opinion on those statements.

We were not engaged to, and did not, perform an examination of the University's system of internal control over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal control over financial reporting of the University as of June 30, 2002. 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, 2002, 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.

Princeton House Cooper LLP

November 14, 2002

Wright State University
Intercollegiate Athletics
Statement of Revenues and Expenditures
for the year ended June 30, 2002

	Men's Basketball	Other Sports	Non-Program Specific	Total
Operating Revenues:				
Student Activity Fees	\$ 495,009	\$ 2,958,011	\$ 1,424,243	\$ 4,877,263
Athletics Ticket Sales	327,459	5,606	283	333,348
Athletic Guarantees	40,000	225		40,225
Advertising	182,068		20,000	202,068
Gifts - WSU Foundation & Private	151,613	27,971	110,807	290,391
Sports Conference Shared Revenue			90,195	90,195
Federal Grants - Work Study	4,942	797	16,416	22,155
Promotions	2,550	113,476	109,302	225,328
Children's Swim Lessons			10,451	10,451
Athletic Camps	60,644	119,202		179,846
Other	15,817	6,037	103,192	125,046
Total Operating Revenues	\$ 1,280,102	\$ 3,231,325	\$ 1,884,889	\$ 6,396,316
Operating Expenditures:				
Coaches Salaries & Benefits	\$ 471,274	\$ 731,208	\$	\$ 1,202,482
Other Salaries & Benefits	79,950	95,515	1,021,726	1,197,191
Grants-In-Aid	172,583	1,503,168	28,032	1,703,783
Athletic guarantees	73,500	10,300		83,800
Conference Membership Fees	649	1,118	1,965	3,732
Communications	178,758	83,370	102,055	364,183
Travel	136,487	521,347	150,263	808,097
Recruiting	44,844	56,930	86	101,860
Insurance			36,055	36,055
Capital Expenditures	3,650			3,650
Supplies	25,280	199,454	139,761	364,495
Operation and Maintenance of Plant	305	767	257,422	258,494
Rent	89,869	26,383	1,524	117,776
Conference tournament expenses	1,694			1,694
Other	1,259	1,765	137,868	140,892
Total Operating Expenditures	\$ 1,280,102	\$ 3,231,325	\$ 1,876,757	\$ 6,388,184
Excess (Deficiency) of Revenue Over Expenditures	\$ -	\$ -	\$ 8,132	\$ 8,132

Wright State University
Statement of Changes in Funds
Restricted Funds
for the year ended June 30, 2002

	<u>Beginning Fund</u>	<u>Increase in Funds (1)</u>	<u>Expenses for or in Behalf of Program (2)</u>	<u>Transfers & Others</u>	<u>Ending Fund</u>
Gift Accounts:					
ADC Platinum Charter	\$ 1	\$ 144,282	\$ 144,282		\$ 1
Athletics General Fund		106,307	106,307		
Baseball		925	364		561
Baseball Facility Project	6,793	60,336		\$ (60,000)	7,129
Baseball Operations	20		20		
Baseball Premium Seats	2,626	500		(3,126)	
Basketball - Men's	339	6,993	7,332		
Basketball - Women's	1	2,038	2,031		8
Cheerleading		113			113
Cross Country - Men's	25	50			75
Cross Country - Women's	100	50			150
Campus Scholarship Campaign - Athletics	820	1,500			2,320
Campus Scholarship Campaign - Men's Basketball	1				1
Campus Scholarship Campaign - Women's Basketball	39				39
Emerald Jazz	226	413			639
Golf	3,133	9,350	6,000		6,483
Greg Nischwitz	12,763	25	12,788	19,315	19,315
Hall of Fame Fund	763				763
Heider/Best Scholarship	1,961			425	2,386
Soccer - Men's	4,732	500	5,232		
Soccer - Women's	1,630	30	87		1,573
Soccer Light Fund	30,000	30,000	30,000		30,000
Softball	1	100			101
Sports Information	75				75
Swimming - Men's		50			50
Swimming - Women's	1	250			251
Tennis - Men's		38			38
Tennis - Women's		763	763		
Training Room		4,500	4,500		
Volleyball		685	685		
Women's Volleyball Scholarship	478				478
WSU Pavilion Fund		42,600			42,600
Wynkoop Scholarship	1,640	75			1,715
	<u>68,168</u>	<u>412,473</u>	<u>320,391</u>	<u>(43,386)</u>	<u>116,864</u>
Endowment Income Accounts:					
Greg Nischwitz	145,553	100			145,653
Heider/Best Scholarship	1,253	230			1,483
Greg Nischwitz	84,106	7,180		(37,602)	53,684
Heider/Best Scholarship	7,634	285		(1,439)	6,480
	<u>238,546</u>	<u>7,795</u>		<u>(39,041)</u>	<u>207,300</u>
Total Wright State Foundation	<u>\$ 306,714</u>	<u>\$ 420,268</u>	<u>\$ 320,391</u>	<u>\$ (82,427)</u>	<u>\$ 324,164</u>

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



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

WRIGHT STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**