Annual Report

For Year Ended
June 30, 2002

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

WRIGHT STATE UNIVERSITY
Annual Report
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Management's Discussion and Analysis
Fiscal Year Ended June 30, 2002

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:

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

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:

	2002	2001
	(All dollar amounts in thousands)	
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	(4,785)	(4,971)
Total net assets	$ 282,377	$ 270,602

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
	(All dollar amounts in thousands)	
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	145,771	127,472
Operating expenses	243,581	230,002
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	109,585	107,824
Increase in net assets	11,775	5,294
Net assets - beginning of year (as restated)	270,602	265,308
Net assets - end of year	$ 282,377	$ 270,602

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

	2002	2001	Difference	Percent Increase
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	$ 17,624,136	$ 10,821,679	$ 6,802,457	62.9%
Expenses:				
Total OhioLINK	$ 17,624,136	$ 10,821,679	$ 6,802,457	62.9%

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

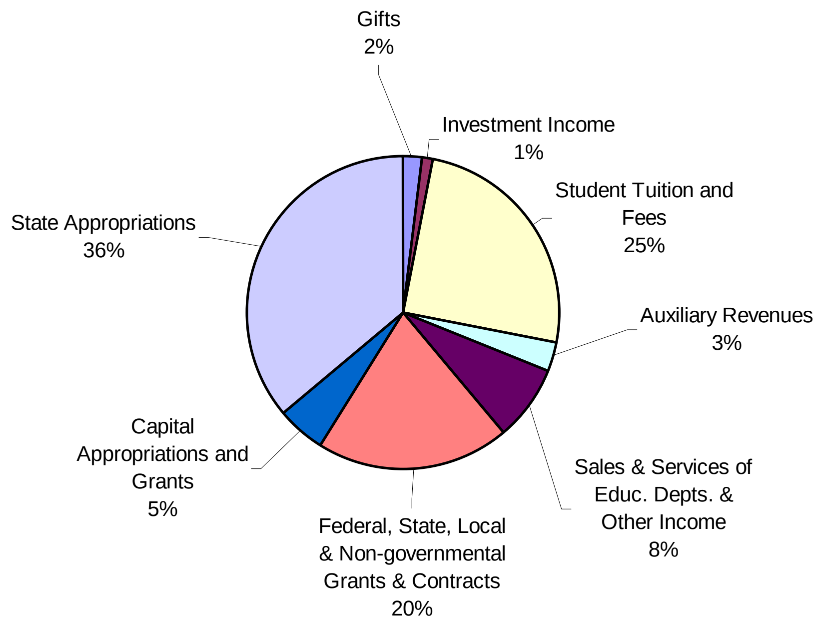
Fiscal Year	Gross Tuition	State Appropriations net of OhioLINK	Net State Appropriations per Dollar of Gross Tuition
1980	$ 13,833,157	$ 29,604,813	$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2002	82,426,162	85,371,221	1.04

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.

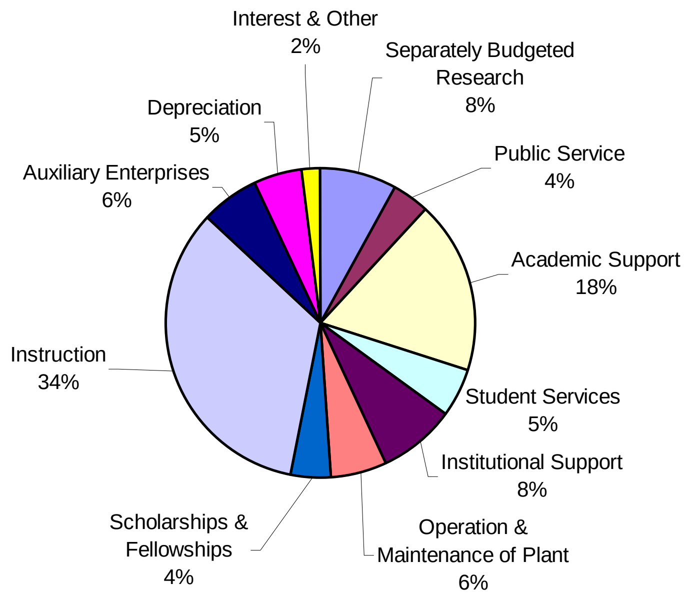
Net student tuition and fees increased over 9 percent from 2001 to 2002, up from $60.0 million to $65.6 million. This is a larger than normal increase, which in conjunction with decreases in budgeted expenses, was necessitated by the decrease in state support. The increase also reflects growth in enrollment.

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

	2002	2001	Difference	Percent Change
Total operating expenses	$ 243,580,813	$ 230,001,749	$ 13,579,064	5.90%
less OhioLINK	17,624,136	10,821,679	6,802,457	62.86%
Operating expenses net of OhioLINK	$ 225,956,677	$ 219,180,070	$ 6,776,607	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:

	2002	2001
	(All dollar amounts in thousands)	
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	119	75
Net increase in cash and cash equivalents	3,520	5,320
Cash and cash equivalents-beginning of the year	30,638	25,318
Cash and cash equivalents-end of year	$ 34,158	$ 30,638

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:

	2002	2001
	(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	$ 222,089	$ 216,871

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.

PRICEWATERHOUSECOOPERS

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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.

PricewaterhouseCoopers 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	**145,770,818**
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	214,870,906
Auxiliary enterprises	15,155,613
Other operating	162,081
Depreciation	13,392,213
Total operating expenses	**243,580,813**
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	95,679,742
Capital appropriations from the State of Ohio	12,996,628
Capital grants	908,841
Total nonoperating revenues (net)	**109,585,211**
Increase in net assets	**11,775,216**
NET ASSETS	
Net assets - beginning of year (as restated)	270,601,879
Net assets - end of year	**$282,377,095**

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	9,683,240
Net cash (used) by operating activities	**(85,111,107)**

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	93,841,358
Gifts	4,266,773
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	(624,813)
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	(87,466,810)
Net cash provided by investing activities	**119,497**
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	**$ (85,111,107)**

See Accompanying Notes to Financial Statements

(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	1,211,164
Combined fund balances, restated as net assets	$270,601,879

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 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.

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.

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

	Cost	Fair Value
Repurchase agreements	$ 7,685,667	$ 7,685,667
State Treasury Asset Reserve of Ohio	25,480,004	25,480,004
Other	3,200	3,200
	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	3,938,307	2,628,277
	53,221,286	51,885,798
Total	$ 86,390,157	$ 85,054,669

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.

(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	1,307,510
Total	$ 18,656,960
Less: Allowance for doubtful accounts	630,000
Net accounts receivable	$ 18,026,960

(4) Capital Assets

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

	Balance 07/01/2001	Additions	Retirements	Balance 06/30/2002
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	2,834,968	12,351,748		15,186,716
Total	$ 347,828,586	$ 22,443,957	$ 10,405,450	$ 359,867,093
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	23,838,671	2,178,415	73,128	25,943,958
Total accumulated depreciation	130,957,657	13,392,213	6,571,350	137,778,520
Capital assets, net	$ 216,870,929	$ 9,051,744	$ 3,834,100	$ 222,088,573

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

(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:

	Beginning Balance 7/1/2001	Additions	Principal Repayments/ Reductions	Ending Balance 6/30/2002	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	$ 10,629,000		$ 875,000	$ 9,754,000	$ 910,000
Equipment leases	2,603,584		781,959	1,821,625	535,053
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)	842,453	580,022	87,030	1,335,445	90,574
Total other liabilities	11,942,453	8,445,816	7,252,824	13,135,445	4,290,574
Total long-term liabilities	$ 25,175,037	$ 8,445,816	$ 8,909,783	$ 24,711,070	$ 5,735,627

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:

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

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	5,089,866	633,153	5,723,019
Total	$ 11,575,625	$ 2,836,216	$ 14,411,841

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

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 retirants (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 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	3,028,807
Total contractual commitments	$ 9,563,959

These commitments are being funded from the following sources:

State appropriations requested and approved `	$ 1,047,603
University funds	8,516,356
Total sources	$ 9,563,959

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.

(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.