WRIGHT STATE
UNIVERSITY

Annual Report

For Year Ended
June 30, 2003

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, 2003

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

Financial and Other University Highlights

- For the second consecutive year, the University experienced a reduction in state appropriations from the preceding year. The total reductions in appropriations were $2.6 million in 2003 and $1.1 million in 2002.

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- In partial response to the continued reduction9.45953 Tm(re)Tj1034 511228 479.45953 Tm of ct

  percent.
  Despite these larger than normal increases in student fees, the University still had the fourth lowest in-state tuition rate among the State of Ohio's thirteen four-year public institutions.

- Notwithstanding the reduction in state support, net assets increased $10.3 million or 3.7 percent from June 30, 2002. Almost the entire increase was in unrestricted net assets, the result of favorable variances in tuition and fees as a result of a higher than anticipated enrollment as well as conservative spending on the parts of the colleges and administration.

- In the fall of 2002, the University completed a full renovation of Millett Hall, its largest academic building at a cost of $14.8 million. In addition, the University opened a new food venue, *The Union Market*, in October of 2002 at a cost of $7.8 million.

- Fall 2002 student headcount increased 4.5 percent and full time equivalent (FTE) students for the fiscal year increased 4.3 percent from the prior year.

- For the fifth year in a row, Wright State University was the top choice for Miami Valley valedictorians in fiscal 2003 according to the Dayton Daily News.

- Wright State students continued their winning tradition at the National Model United Nations (NMUN) by again earning top honors. For 24 years, Wright State students have earned top honors at the NMUN, the largest intercollegiate conference of its kind. NMUN attracts students from all over the world.

- The university's Nutter Center was named the 2002 Prime Site Award winner for the third year in a row by *Facilities & Event Management* magazine.

- Through June 2003, the University has raised $41 million as part of its fundraising campaign entitled "*Tomorrow Takes Flight: The Campaign for Wright State University",* which seeks $40 million in operating and endowment funds for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowments. Although the campaign is not scheduled to be completed until 2004, the University has already exceeded its goal of $40 million.

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

Using the Annual Report

This annual report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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

Statement of Net Assets

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

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

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

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

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

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

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Assets

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

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

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

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

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

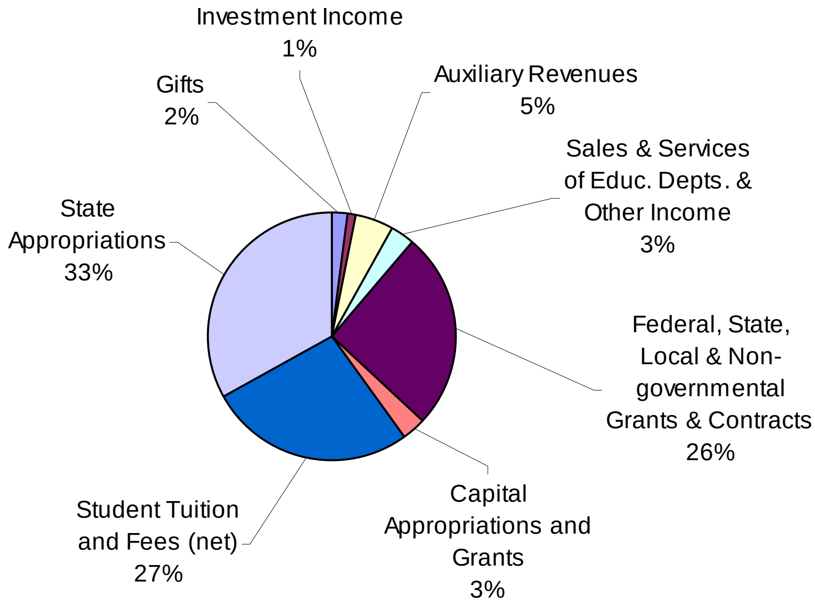
State Appropriations per Dollar of Gross Tuition

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	86,461,640	1.05
2003	94,242,118	85,513,853	0.91

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

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

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



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

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

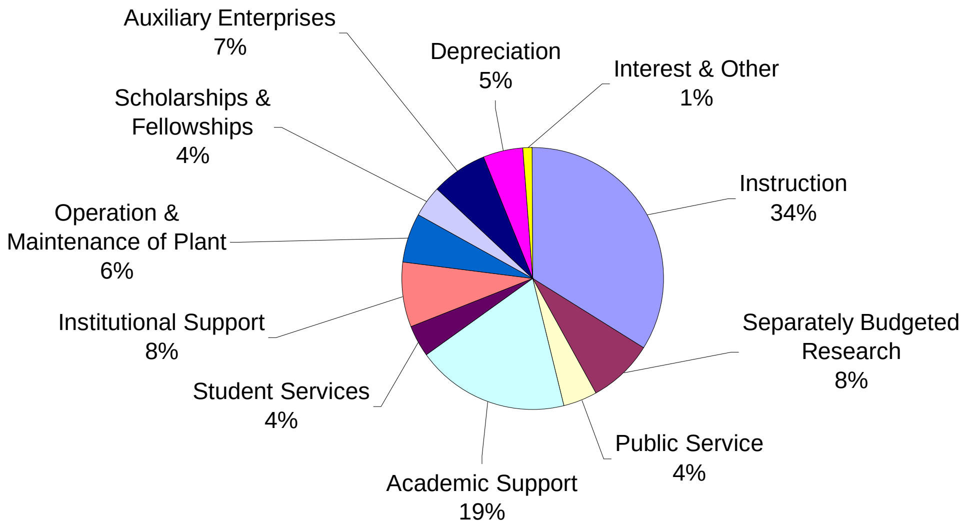
Grants and contracts increased from $61.6 million in 2002 to $72.0 million in 2003, an increase of $10.4 million or 17 percent. The University is pleased that grant and contract activity continues to increase each year. 2003 was no exception. The most significant increase in 2003 continues to be the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

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

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

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

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



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

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

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

Statement of Cash Flows

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

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

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

Capital Assets and Debt

Capital Assets

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

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

The University undertook no new major projects during 2003. The University completed both a major renovation of Millett Hall, the university's largest academic building, and the development of the Union Market food venue within the Student Union facility. The majority of the costs had already been expended before 2003. Both projects were taken out of construction in progress and capitalized into buildings during 2003. All other capital activity was routine, although the University is experiencing an increase in expenses for repair and maintenance of its facilities.

Debt

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

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

Economic Factors That Will Affect the Future

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

Aging facilities present another challenge to the University. We are at the point in the life cycle of the University where major maintenance and replacement of systems and other infrastructure are becoming necessary. With the state's reduction of capital funding, we are forced to rely on operating revenues or borrowed funds in order to sup96.4196 239.28035 Tm(9.02 0 0 10.02 2M0.825t.(ce90.02 0 0 10.02 1lem5.6080035 Tm

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
2080 Kettering Tower
Dayton OH 45423
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Report of Independent Auditors

To Wright State University:

In our opinion, the accompanying statement of net assets and the related statement of revenues, expenses, and changes in net assets and cash flows, present fairly, in all material respects, the financial position of Wright State University at June 30, 2003 and 2002, and its revenues, expenses and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Wright State University's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with Govert

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

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

See Accompanying Notes to Financial Statements

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

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

See Accompanying Notes to Financial Statements

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

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

See Accompanying Notes to Financial Statements

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

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

Noncash Transactions:

Capital lease	$ 463,877	

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

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

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

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

Inventories

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

Capital Assets

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

Deferred Revenue

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

Net Assets

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

Revenues and Expenses

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

Scholarship Allowances

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

Income Taxes

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

Estimates

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

Previous Year's Financial Information

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

(2) Cash, Cash Equivalents and Investments

The carrying amount of cash and cash equivalents of all funds totaled $9,288,674 and $3,492,392 as compared to bank balances of $16,042,641 and $7,248,496 at June 30, 2003 and 2002, respectively. The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand. The bank balances are comprised of $11,695,797 demand and time deposit accounts, a $2,579,900 certificate of deposit and $1,766,944 in money market funds at June 30, 2003. Of the bank balances, $195,908 is insured by the Federal Deposit Insurance Corporation, $13,968,688 is uninsured but collateralized by pools of government securities pledged by the depository banks and held by Federal Reserve Banks in the member bank's name, and $1,878,045 is uninsured and uncollateralized.

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

Category 1- Investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University.

Category 2- Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the university's name.

Category 3- Investments that are uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in the university's name.

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

	Cost		Fair Value	
	2003	2002	2003	2002
Repurchase agreements	$ 10,043,922	$ 7,685,667	$ 10,043,922	$ 7,685,667
State Treasury Asset Reserve of Ohio	30,127,699	25,480,004	30,127,699	25,480,004
Other	3,200	3,200	3,200	3,200
	40,174,821	33,168,871	40,174,821	33,168,871
Managed under trust agreements:				
U.S. agency securities	11,299,850	12,837,796	11,467,431	13,022,092
U.S. treasury securities	12,636,461	6,641,216	12,967,667	6,820,013
Corporate bonds	16,533,103	18,277,395	17,415,834	18,420,973
State and municipal bonds	17,631	22,668	18,797	23,703
Common and preferred stock	6,879,924	7,609,411	6,300,947	6,586,113
Small capital value fund	2,038,382	1,962,450	2,498,979	2,550,523
Small capital growth fund	1,932,112	1,932,043	1,984,132	1,834,104
International equity fund	3,950,528	3,938,307	2,521,345	2,628,277
	55,287,991	53,221,286	55,175,132	51,885,798
Total	$ 95,462,812	$ 86,390,157	$ 95,349,953	$ 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. STAROhio is not required to be categorized by GASB Statement No. 3.

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

(3) Accounts Receivable

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

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

(4) Capital Assets

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

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

(5) Long-Term Liabilities

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

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

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

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

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2004-2023	3.00% - 5.00%	$ 16,315,000	$ 622,719	$ 16,937,719
Equipment lease					

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

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

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

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

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

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

(6) Retirement Plans

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

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

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

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

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

(7) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while PERS provides postretirement health care coverage to age and service 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 changed from 4.5% to 1% of the total 14.00% (see note 6), while the PERS rate changed from 4.3% to 5% of the total 13.31% (see note 6) effective July 1, 2002.

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

Postretirement health care under PERS is advance-funded on an actuarially determined basis. The actuarial value of PERS net assets available for OPEB at December 31, 2001 is $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively. The number of PERS active contributing participants was 402,041 for the year ended December 31, 2001. For the year ended June 30, 2003 the University contributed $2,262,784 to PERS for OPEB funding.

(8) Related Organization

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

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

(9) State Support

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

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

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

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

(10) Commitments and Contingencies

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

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

These commitments are being funded from the following sources:

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

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

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

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