



WRIGHT STATE *UNIVERSITY*

Annual Report
For Year Ended
June 30, 2008

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WRIGHT STATE UNIVERSITY
Annual Report
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Wright State University's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2008 with selected comparative information for the years ended June 30, 2007 and 2006. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial and Other University Highlights

- *The Princeton Review* named Wright State University among the "Best in the Midwest" in its 2008 *Best Colleges: Region by Region* issue. Wright State was among 161 schools from 12 different states listed. This is the second year in a row we were named in the publication. Criteria considered for this designation include academics, quality of life, and extracurricular activities.
- 2008 marked the first time in well over a decade that the University did not raise undergraduate tuition. Graduate tuition and the School of Professional Psychology's tuition were increased by only 4% over 2007 while the Boonshoft School of Medicine (BSOM) increased their tuition 5%. These lower tuition increases were achievable because of a recently enhanced financial commitment to public higher education by the State of Ohio. That commitment is reflected in significant increases in state funding in each year of the current biennium (fiscal years 2008 and 2009) and in a state mandate to pass much of the benefit of this increase to students in the form of an undergraduate tuition freeze for the biennium. In contrast, full-time undergraduate tuition rates increased 6% and the BSOM tuition increased 9.9% in 2007. The University also maintains it's the fourth lowest in-state undergraduate tuition rate among Ohio's thirteen four-year public institutions.
- Total state appropriations increased 4.7% in 2008 over 2007 after subtracting the effect of OhioLINK (a statewide library initiative for which the University serves as fiscal agent). This is the largest increase in this decade. 2007 saw an increase of 2.6% over 2006.
- Net assets increased \$3.8 million from June 30, 2007 to June 30, 2008. Unrestricted net assets saw a decline of \$14.8 million due primarily to the poor investment market. This was more than offset by an increase of \$19.3 million in capital assets, net of depreciation and associated debt. The University continued to improve and expand its major facilities in 2008 with the majority of the investments occurring in White Hall, the Student Union, and, most significantly, in the university's science facilities.
- After a slight one year decline in enrollment in 2007 following years of continued growth, 2008 saw an increase of 1% in full time equivalent (FTE) students over 2007 and the largest direct from high school degree-seeking class in the history of the University.
- For the 29th consecutive year, Wright State students brought home top awards at the National Model United Nations (NMUN) conference. In addition, WSU's Ethics Bowl Team placed second out of more than 200 universities nationally in the National Intercollegiate Ethics Bowl competition.
- The University coordinated a regional effort to create the Dayton Regional STEM (Science, Technology, Engineering, and Math) School, which has received approval and funding from the Ohio Board of Regents. This school will offer a highly advanced curriculum in the math and sciences for grades 6-12 for students in the surrounding counties of WSU. The success of our proposal indicated

the state's appreciation for the broad community collaboration in support of the proposal and Wright State's strength in the preparation of teachers of mathematics and science.

- The University opened its new Matthew O. Diggs III Laboratory for Life Science Research building. This building is one of the first university research laboratories in Ohio registered under Leadership in Energy and Environmental Design, a nationally accepted benchmark for the design, construction, and operation of high-performance "green" buildings.
- The University achieved a 33% increase in the number of alumni providing gifts and donations to the University over 2007. This also resulted in a 32% increase in the dollars raised. WSU is proud of the fact that its alumni recognize the successes and accomplishments of the University and are doing their best to provide support to its mission.

Using the Annual Report

This annual report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. All comments and discussions included in this discussion and analysis relate only to Wright State University and not to the Wright State University Foundation unless specifically noted.

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

Statements of Net Assets

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

	2008	2007	2006
	(All dollar amounts in thousands)		
Current assets	\$ 66,445	\$ 69,407	\$ 86,676
Noncurrent assets:			
Capital assets, net	292,817	275,825	253,157
Other	115,697	129,117	121,264
Total assets	<u>474,959</u>	<u>474,349</u>	<u>461,097</u>
Current liabilities	69,957	69,776	68,001
Noncurrent liabilities	41,564	44,949	48,238
Total liabilities	<u>111,521</u>	<u>114,725</u>	<u>116,239</u>
Net assets:			
Invested in capital assets, net of related debt	257,526	238,244	226,597
Restricted	18,755	19,412	18,676
Unrestricted	87,157	101,968	99,585
Total net assets	<u>\$ 363,438</u>	<u>\$ 359,624</u>	<u>\$ 344,858</u>

The university's net assets increased only slightly in 2008, as the decline in the investment market resulted in a reduction in unrestricted net assets. In addition, a small amount of unrestricted university resources were utilized for investments in capital assets. This, along with external sources of investments in capital facilities funded a healthy increase in capital assets, net of depreciation and related debt. The University continued with renovations and expansions of its physical facilities that have been on-going for several years. The university's capital plan calls for continued renovations and maintenance of its facilities as well as physical growth in selected areas. Consistent with 2007, the largest investment in 2008 was in the university's science facilities. A significant portion of our recent investment in the renovation of science buildings has been for the replacement of building infrastructure. As a result of this priority, campus deferred maintenance is being reduced significantly.

Total assets remained flat in 2008 as compared to 2007. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, decreased by \$3.0 million in 2008 from 2007. This is almost solely attributable to a \$3.2 million decrease in prepaid expenses. Prepaid expenses are primarily composed of license agreements for the OhioLINK program for which the University is the fiscal agent. These prepaid assets decreased \$3.0 million in 2008 from 2007 as the University utilized more of these agreements.

Other noncurrent assets decreased \$13.4 million from \$129.1 million in 2007 to \$115.7 million in 2008. These assets are comprised of long-term investments, long-term student loans receivable, and longer term prepaid expenses and deferred charges. While there were small increases in student loan receivables and prepaid expenses from 2007 to 2008 (\$.6 million), there was a \$14.0 million decrease in long-term investments. While \$.8 million of the decrease is due to spending down the remaining 2004 bond proceeds that were invested to complete certain capital projects during 2008, the majority of this decrease is a reflection of the decrease in the value of the university's investments coupled with the need to utilize some levels of reserves (in lieu of expected investment income) for both capital and operating purposes. Capital assets, net of depreciation increased from \$275.8 million in 2007 to \$292.8 million in 2008. This increase of \$17.0 million is due to the continued investments in the university's new and renovated science facilities as well as renovations and improvements to a number of different buildings on campus.

The 2007 increase in total assets was \$13.2 million over 2006. This was primarily attributable to an increase in capital assets, net of depreciation, of \$22.6 million offset by a decrease in cash and

investments of \$9.8 million. The cash and investments decrease was solely the result of spending \$14.8 million of restricted investments that were from the 2004 bond issuance and utilized for capital projects during 2007.

Total assets of the Wright State University Foundation actually decreased from \$123.2 million at June 30, 2007 to \$108.0 million at June 30, 2008, a decrease of \$15.2 million. The most significant driver of this decrease was an \$11.7 million decline in long-term Investments. Long-term investments comprise \$94.0 million of the \$108.0 million at June 30, 2008 and gifts and pledges receivable comprise another \$11.8 million. The investment decrease of \$11.7 million is attributable to the poor investment returns realized during fiscal 2008.

Current liabilities are comprised primarily of accounts payable 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 approximately \$.2 million from \$69.8 million at June 30, 2007 to \$70.0 million at June 30, 2008. Although there was not much of an overall increase, there were several variances in balances. Trade payables increased \$1.2 million due to no specific event. Deferred student fees also increased \$1.8 million in 2008. While tuition rates in general didn't increase from 2007 to 2008, the deferral period for summer quarter was less in 2008 than in was in 2007. This resulted in a greater deferral of summer fees at June 30, 2008. Both the accounts payable and the deferred student fees increases were almost entirely offset by a decrease of \$2.9 million from 2007 to 2008 in deferred revenues from advance sponsor payments on contracts and grants. This was because there were an unusually high number of contracts and grants that were closed out in 2008, eliminating the number of open grants and also resulting in a reduction of deferred revenues that were previously on the books. The largest component of current liabilities is deferred revenue, which was \$34.0 million in 2008 and \$35.2 million in 2007.

Current liabilities increased from \$68.0 million at June 30, 2006 to \$69.8 million at June 30, 2007. This increase of \$1.8 million was due to a change in 2007 whereby academic summer payroll for the month of June, 2007 was not paid until July, 2007. In years prior to 2007 the academic summer payroll for the month of June was paid in June.

Noncurrent liabilities were \$44.9 million at June 30, 2007 and decreased to \$41.6 million at June 30, 2008. This decrease of \$3.3 million is solely the result of payments against the university's debt obligations.

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

	2008	2007	2006
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	\$ 257,526	\$ 238,244	\$ 226,597
Restricted expendable	18,755	19,412	18,676
Unrestricted:			
Designated	81,851	89,982	93,565
Undesignated	5,306	11,986	6,020
Total net assets	<u>\$ 363,438</u>	<u>\$ 359,624</u>	<u>\$ 344,858</u>

Invested in capital assets, net of related debt represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. As has been the trend over the last few years, during 2008

the University continued its expansion, renovation, and upkeep of its facilities. Consistent with 2007, the largest investment continued to be in the university's science facilities. The science facilities project will improve both instructional space and research facilities. During 2008 the University completed and opened the new Matthew O. Diggs III Laboratory for Life Science Research building as part of this project. Other major investments, all renovations, made to buildings across campus included White Hall (Boonshoft School of Medicine), the Student Union, Hamilton Hall (student housing), and Rike Hall (Raj Soin College of Business). These renovations are all necessary in order to maintain and improve the related facilities for their intended uses.

Restricted expendable represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. \$18.5 million and \$18.4 million of the restricted expendable fund balances at June 30, 2008 and June 30, 2007, respectively, represent funds restricted for student loans.

Unrestricted net assets are funds that the University has at its disposal to use for whatever purposes it determines appropriate. While these net assets are not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. For over a decade, unrestricted net assets have been growing. Colleges and divisions have been able to retain their own budgeted funds that are not spent at the close of the fiscal year for one of the aforementioned purposes. We believe this practice permits the units to manage their resources more effectively, allowing them to hold them for higher priorities in later years. This policy also benefits the University as a whole by encouraging the accumulation of reserves that provide financial stability during periods of fiscal stress and that generate investment income that supplements other revenue sources. Unfortunately, 2008 was one of those years of fiscal stress in which some of these accumulated reserves were needed to supplement operations. With the poor performance of the financial markets, a portion of the accumulated reserves from past years was used to supplement the 2008 operating budget. While this is never the expected or desired situation of the University, it is understood by management that along with the years of positive performances in the financial markets comes an occasional downturn that must be addressed at least in part by the use of prior year accumulated reserves. The University remains committed to an increase in net assets over the long run to help provide an even stronger base from which to generate future investment earnings.

Statements of Revenues, Expenses and Changes in Net Assets

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

	2008	2007	2006
	(All dollar amounts in thousands)		
Operating Revenues:			
Student tuition & fees - net	\$ 115,249	\$ 114,851	\$ 107,293
Grants and contracts	89,080	84,455	80,391
Sales and services	7,472	7,285	7,142
Auxiliary enterprises	15,296	15,605	15,376
Other	2,686	2,558	2,184
Total	<u>229,783</u>	<u>224,754</u>	<u>212,386</u>
Operating expenses	<u>365,696</u>	<u>347,744</u>	<u>317,918</u>
Operating loss	<u>(135,913)</u>	<u>(122,990)</u>	<u>(105,532)</u>
Nonoperating revenues (expenses):			
State appropriations	98,715	94,526	91,796
Federal grants	11,230	9,328	9,270
State grants	3,588	3,121	2,880
Gifts	8,450	6,462	5,466
Investment income	(3,494)	16,547	8,774
Interest expense	(1,024)	(1,138)	(1,256)
Other income (expense)	(246)	(1,544)	(4,825)
Capital appropriations	7,354	7,322	10,916
Capital grants and gifts	15,154	3,132	11,124
Total	<u>139,727</u>	<u>137,756</u>	<u>134,145</u>
Increase in net assets	3,814	14,766	28,613
Net assets - beginning of year	<u>359,624</u>	<u>344,858</u>	<u>316,245</u>
Net assets - end of year	<u>\$ 363,438</u>	<u>\$ 359,624</u>	<u>\$ 344,858</u>

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

OhioLINK Revenues and Expenses
For the Year Ended June 30

	2008	2007	Difference	Percent Increase (Decrease)
Revenues:				
Grants and contracts	\$ 30,294,140	\$ 23,802,138	\$ 6,492,002	27.3%
State appropriations	<u>7,629,483</u>	<u>7,536,874</u>	<u>92,609</u>	<u>1.2%</u>
Total revenues	<u>\$ 37,923,623</u>	<u>\$ 31,339,012</u>	<u>\$ 6,584,611</u>	<u>21.0%</u>
Expenses:				
Total OhioLINK	<u>\$ 37,923,623</u>	<u>\$ 31,339,012</u>	<u>\$ 6,584,611</u>	<u>21.0%</u>

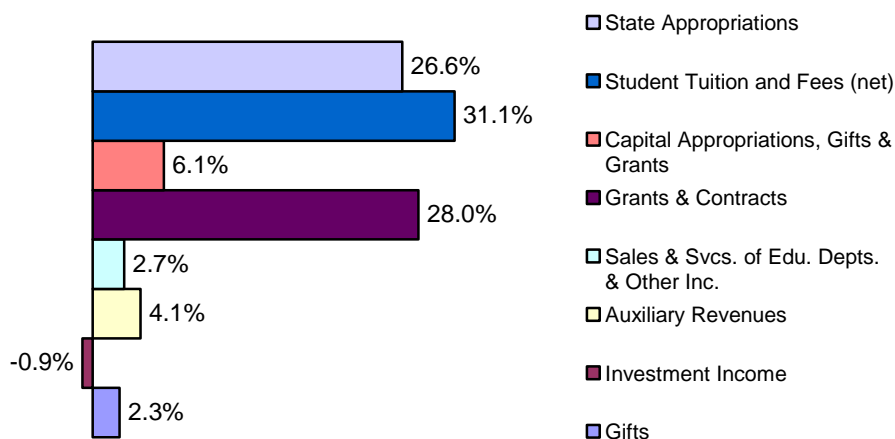
The university's primary revenue sources are state appropriations and student tuition and fees. These fund the ongoing programs and operations of the University. Accounting standards classify state appropriations as a nonoperating revenue source in the financial statements. However, since the University continues to rely upon state funding as a primary funding source for ongoing operations, it manages state funding as an operating revenue item. Enrollments at WSU have grown significantly over the last fifteen years. However, the amount of state appropriations allocated to Wright State University and higher education in general had not been keeping pace with the enrollment growth over that period of time. This declining subsidy per student has primarily been the result of the pressures on the state budget during that period of time, a substantial increase in higher education enrollments throughout the state, and of the relatively low priority that had been assigned to higher education. This decline of state funding per student has required the University to raise tuition at a magnitude greater than desired in order to fund the costs of serving enrollment growth and to respond to inflationary pressures. However, in 2008 state appropriations increased by \$4.1 million dollars, net of OhioLINK. This equates to a 4.7 percent increase. This new infusion of state funding in the current state biennium ending June 30, 2009 is a result of a recent change in priorities that has occurred at the state level. As a result, state universities across the State of Ohio will not increase undergraduate tuition during the same two years of the biennium as a result of the increased state funding. In addition, the state has announced a goal of achieving the national average in state support for higher education over a ten year period. We know that progress toward that goal will be uneven, as state budgets are affected by the business cycle and by other policy commitments, such as the ongoing reduction in Ohio's personal income tax rates. We also understand that the state will expect students and their families to benefit from increased levels of state funding, as they occur. We share the state's desire to see higher education become more affordable. The financial burden on students and their families has been extraordinarily high over recent years. The table below demonstrates just how much the State of Ohio over the past two and a half decades has forced universities to shift the burden for funding the cost of higher education to students and their families. Only in the most recent fiscal year has this trend been reversed, ever so slightly.

State Appropriations per Dollar of Gross Tuition

<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Appropriations net of OhioLINK</u>	<u>Net State Appropriations per Dollar of Gross Tuition</u>
1980	\$ 13,833,157	\$ 29,604,813	\$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2007	139,584,821	86,988,360	0.62
2008	142,040,658	91,085,746	0.64

While it can be seen in the table that state appropriations did increase in 2008 both in absolute dollars as well as a percentage of gross tuition, it still has clearly not made up for the erosion of public support that was once available to subsidize student tuition. It may be unrealistic to assume that the University will ever be back to the level of state funding that existed fifteen or twenty years ago, so it becomes imperative that we continue to press for other types of revenue sources in order to keep tuition affordable for students and their families. Students and their families have been forced to fund a much greater share of the cost of their education than was necessary in earlier years or is currently necessary in most other states across the country. Even with the high levels of tuition, the University continues to maintain a lower than average level of tuition and fees relative to other Ohio four-year public institutions. Wright State is maintaining its rank as the fourth lowest (out of 13) of the four-year public institutions with respect to student tuition rates. It should be noted that two of the lower three universities receive special state funding for the purpose of subsidizing tuition that Wright State does not receive.

Below is a graphic illustration of revenues by source for the year ended June 30, 2008.



State appropriations increased from \$94.5 million in 2007 to \$98.7 million in 2008, an increase of \$4.2 million. This increase is the result of the additional investment in higher education made by the State of Ohio as previously discussed. State appropriations were \$91.8 million in 2006. The 2007 increase was primarily a general increase in operating appropriations but also included a \$.5 million increase for OhioLINK.

Net student tuition and fees were \$115.2 million, \$114.9 million, and \$107.3 million in 2008, 2007, and 2006, respectively which provided an increase of only .3% from 2007 to 2008 and 7% from 2006 to 2007. As discussed earlier, there was no undergraduate tuition increase in 2008. This in conjunction with increased student aid resulted in almost no additional net tuition revenues in 2008 from that in 2007. Tuition increases for most students were approximately 6% in 2007.

Grants and contracts were \$103.9 million in 2008, increasing \$7.0 million from the 2007 level of \$96.9 million. The 2006 level was \$92.5 million. The largest increases in 2008 occurred in nongovernmental awards. Specifically, revenues from the OhioLINK program alone resulted in a \$6.5 million increase through private university participation. The 2007 increase was driven more from federal awards. Specifically, the Boonshoft School of Medicine's sponsored revenues increased approximately \$4.0 million due to funding provided to establish a mobile emergency response unit and the establishment and operation of Acute Care and Emergency Help Centers.

Auxiliary revenues have not changed much over the last three years. Total revenues were \$15.3 million, \$15.6 million, and \$15.4 million for the years ended June 30, 2008, 2007, and 2006, respectively. Auxiliary enterprises are comprised of residence services, bookstores, food services, parking and transportation, intercollegiate athletics, the Student Union, and the Nutter Center.

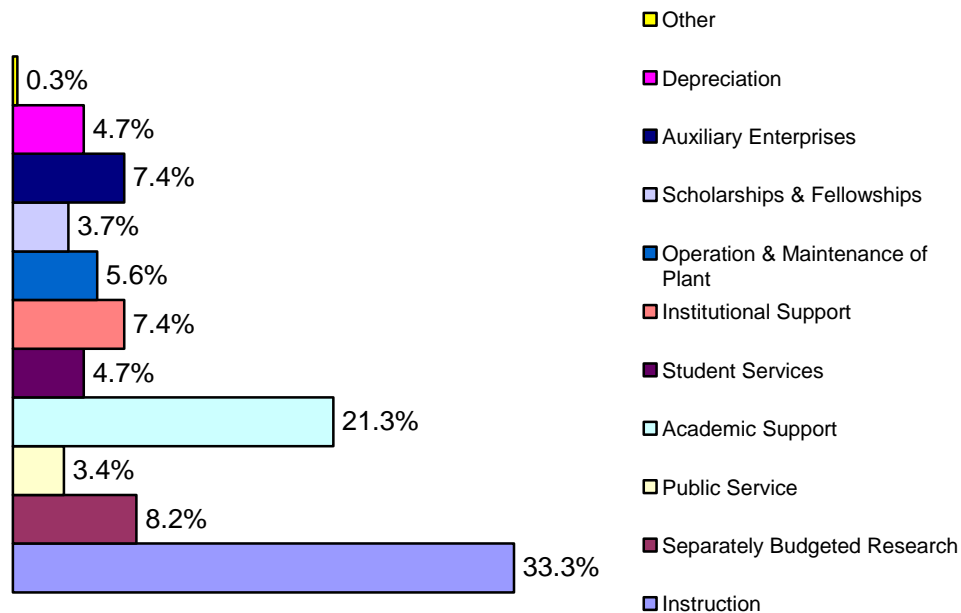
Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were \$7.5 million, \$7.3 million, and \$7.1 million for the years ended June 30, 2008, 2007 and 2006, respectively. The largest amounts of revenue are generated from the Boonshoft School of Medicine in the form of clinical income and pharmacy sales and also from computing and telecommunications revenues.

Investment income was actually an investment loss in 2008 of \$3.5 million. Investment income was \$16.5 million and \$8.8 million in 2007 and 2006, respectively. The financial markets were extremely turbulent and weak in 2008 causing an investment loss for the University. The university's investment policy is designed to invest a large share of operating reserves in a diverse array of longer term investment

instruments including equities in order to maximize long-term growth and current income. The policy is intended to maximize returns over the long run, thus permitting higher investment income for support of university goals and to permit accumulation of more reserves. This has become more and more important in recent years as a supplement to other university revenue sources. Over the last decade, the University has been enjoying the benefits of this investment policy as its investment income and reserves have grown significantly. This is evident from the investment returns of 2007 and 2006. The University was the beneficiary of an excellent investment market in 2007, which resulted in an 87% increase in investment income over 2006 and the largest amount of investment income in the university's history. However, the University is aware that its investment policy entails the risk of greater volatility in investment performance. 2008 was one of those years. As most are aware, subsequent to June 30, 2008, significant activity has occurred in financial markets. The demise of certain investment banks, the takeover of Freddie Mac and Fannie Mae and the enactment of the Economic Stabilization Act of 2008 are only some aspects of the upheaval that has occurred. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Nevertheless, the University continues to believe that its investment policy is the most appropriate one over the long run.

Capital Appropriations, Gifts and Grants were \$22.5 million in 2008, an increase of \$12.0 million over the \$10.5 million realized in 2007. This increase was primarily the result of a large amount of capital gifts that occurred in 2008 in the amount of \$12.9 million. There was a donation of software in the amount of \$6.1 million used for analyzing seismic data as part of research activities. There were also cash donations in the amount of \$6.6 million to fund several capital projects, most notably White Hall. Capital appropriations from the State of Ohio comprised the balance of the revenue. These capital appropriations that the University received in 2008 were used primarily for the renovation and construction of the university's science facilities, the renovation of Rike Hall, the acquisition of academic classroom equipment, and other basic renovations. Capital appropriations, gifts and grants amounted to \$22.0 million in 2006.

The following is a graphic illustration of expenses by function for the year ended June 30, 2008.



Overall operating expenses were \$365.7 million in 2008 as compared to \$347.7 million and \$317.9 million in 2007 and 2006, respectively. This amounts to a total increase in operating expenses for 2008 of \$18.0 million. Employee compensation and benefits increased from \$211.7 million in 2007 to \$220.8 million in 2008, an increase of \$9.1 million, or 4.3%. This represents half of the 2008 increase in operating expenses. Salaries and wages increased 4.5% due to compensation increases and the addition of a

number of positions to support strategic initiatives. Benefits only increased 3.9%. While basic employee health care rose approximately 14%, this increase was tempered by a decrease in vacation and sick leave expense of \$1.5 million in 2008, which helped minimize the overall increase in employee benefit costs. OhioLINK spent \$6.3 million more on license agreements for access to electronic information for its members in 2008 than in 2007. In addition, the University spent \$1.6 million more in scholarships and fellowships in 2008. About half of that amount was through the federal Pell Grant program and the remaining amount was for graduate student fee waivers and need based aid. Depreciation expense also rose another \$1.5 million from \$15.6 million in 2007 to \$17.1 million in 2008. This was primarily the result of depreciation on the donated software described earlier and the capitalization of many of the new facilities that have been under construction over the last few years. The 2007 operating expenses increased \$29.8 million over 2006 as a result of annual compensation increases, increases in employee benefit costs, increased supplies costs associated with equipping some of the new and renovated facilities and supplementing the university's recently installed ERP system with complementary software and hardware, and outfitting the externally funded Acute Care Centers with supplies and equipment. In addition, depreciation expense increased from \$13.7 million in 2006 to \$15.6 million in 2007, an increase of \$1.9 million.

Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2008. A summary of the Statements of Cash Flows is as follows:

	2008	2007	2006
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	\$ (116,849)	\$ (104,229)	\$ (91,193)
Noncapital financing activities	122,181	112,355	110,052
Capital and related financing activities	(15,851)	(34,656)	(21,084)
Investing activities	15,447	7,941	(25,986)
Net increase (decrease) in cash and cash equivalents	4,928	(18,589)	(28,211)
Cash and cash equivalents-beginning of year	18,774	37,363	65,574
Cash and cash equivalents-end of year	<u>\$ 23,702</u>	<u>\$ 18,774</u>	<u>\$ 37,363</u>

Cash and cash equivalents increased \$4.9 million from 2007 to 2008. Cash flows from operating activities decreased \$12.6 million primarily as a result of increased operating costs as described above with little to no increase in student tuition and fees to help fund the increased costs. Cash from noncapital financing activities increased \$9.8 million from 2007 as a result of an increase in state appropriations of \$4.4 million, an increase in private gifts in 2008 of \$3.1 million, and increases from other non-operating grants. The net outflow of cash for capital and related financing activities of \$15.9 million is the result of all the capital project activity that was ongoing during 2008, net of capital funding received from the State of Ohio. Most of these projects have been ongoing for two to three years and are discussed elsewhere in the MD&A. The net cash provided in investing activities of \$15.4 million is the net result of all investment activities: purchases, sales, and interest earnings. Although there was cash provided from these activities, the gross volume of transactions was down due to the poor investment market in 2008. The decrease in cash and cash equivalents in 2007 from 2006 of \$18.6 million is driven by the spending on capital assets in 2007 offset by cash provided from investing activities and other noncapital financing cash inflows.

Capital Assets and Debt

Capital Assets

The University had approximately \$292.8 million invested in capital assets, net of accumulated depreciation of \$200.5 million at June 30, 2008. Capital assets were \$275.8 million, net of accumulated depreciation of \$186.2 million at June 30, 2007. Depreciation expense for the years ended June 30, 2008 and 2007 was \$17.1 million and \$15.6 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2008	2007	2006
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	\$ 23,091	\$ 23,645	\$ 24,571
Buildings	215,571	170,727	164,371
Machinery and equipment	35,289	29,451	29,744
Library books and publications	18,729	18,487	18,187
Construction in progress	137	33,515	16,284
Total capital assets - net	<u>\$ 292,817</u>	<u>\$ 275,825</u>	<u>\$ 253,157</u>

Continuing from fiscal 2006 and 2007, work continued on the creation and renovation of new and improved science facilities. The University opened its Matthew O. Diggs III Laboratory for Life Science Research building in 2008 and continued additional work on the science projects. In addition, renovation of the Student Union and White Hall were substantially completed. There were major improvements completed in Rike Hall, the primary facility used by the Raj Sooin College of Business, and also Hamilton Hall, a centrally located university dormitory. As can be seen above, most of these projects have been completed as costs have been transferred from construction in progress to buildings. As is typical in all fiscal years, the University also performed ongoing maintenance and rehabilitation of all campus facilities, addressing building infrastructure needs as well as maintenance of its outer grounds and parking lots.

Debt

The University entered two new capital leases in 2008 for approximately \$1.0 million. One lease was for computing equipment while the second lease was for buses to be used to facilitate student transportation on campus. There was no other debt issued, and the University simply continued to service its existing debt. The university's primary outstanding debt is from two different bond issues in 2003 and 2004. The last of the 2004 bond proceeds was spent in early 2008 on the science facilities project. The University received a bond rating for the 2004 bond issue from Moody's Investors Service of A2. That rating has remained unchanged since that date.

Outstanding debt was \$35.6 million, \$38.7 million, and \$42.5 million at June 30, 2008, 2007, and 2006, respectively. The 2008 balance of \$35.6 million includes \$34.7 million of outstanding bonds and equipment leases of \$.9 million.

Factors That Will Affect the Future

The University continues to be proud of its accomplishments and its ability to forge ahead with new initiatives and academic achievements. We are consistently looking for ways to improve the University and the region by partnering with the local community as well as our peers to improve both the quality of education as well as the educational attainment of Ohio's citizens. An example of this in 2008 is the STEM school. WSU partnered with the local community and community school systems to create a middle school/high school with a concentrated curriculum in science, technology, engineering, and math. These are disciplines that are needed to fill the jobs of today and tomorrow, and the STEM school is designed to foster more interest from students in these disciplines of study. However, endeavors such as

this are resource intensive, and financial resources are becoming more and more difficult to obtain. The University continues to seek and obtain a growing amount of external research funding, which does help contribute to our ability to achieve our goals and further our student successes. The challenges remain, though, to maintain appropriate funding for basic operations. The costs of employee compensation and benefits, utilities, technology, and deferred maintenance are all rising more rapidly than revenue. Revenue sources have become difficult to grow and meeting the needs of the students has become as challenging as ever. While our 2008 results were significantly affected by a disappointing year in the financial markets, we understand that we face other underlying issues. We have invested in new faculty positions and new units that support our research enterprise, our community engagement, and enrollment management. At the same time, we have seen our enrollments level off after a number of years of growth. We understand that this requires a period of consolidation, in which we slow new commitments and examine current spending for possible reductions. We expect that it may take a year or two to achieve the operating margins we need with normal investment returns. Our goal is to maintain our progress in academic quality, student life, and community engagement while keeping the University as affordable as possible for the students who would benefit from the opportunity to study here.

As we work to manage our expenditures, we are well aware of the uncertain state of the national and Ohio economies and of the financial markets. We understand the implications these have for the financial progress of the University. State funding and investment performance can be heavily influenced by these factors. We understand that we must be especially prudent in this environment.

Wright State University finds itself at an interesting juncture, with a future that is more promising with respect to the possibilities of increased public support over the longer run while more uncertain in the shorter run as a result of unusual risks in the economic environment. Understanding both the reasons for hope and the need for prudence, we will continue to strive to transform the lives of our students and the communities we serve.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
of Wright State University
Dayton, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Wright State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Wright State University as of June 30, 2008 and 2007, and the respective changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 2 through 13 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 required supplementary information. However, we did not audit the information and express no opinion on it.

(Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2008, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2008

WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2008 and 2007

ASSETS	2008		2007	
	University	Foundation	University	Foundation
Current assets:				
Cash and cash equivalents	\$ 23,701,950	\$ 1,012,378	\$ 18,774,097	\$ 2,858,861
Short-term investments	1,468,319		6,372,557	
Accounts receivable (net of allowance for doubtful accounts of \$1,320,000 in 2008 and \$1,345,000 in 2007 - Note 3)	22,872,357	188,520	23,607,262	477,246
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$874 in 2008 and \$1,900 in 2007)		6,446,864		5,852,256
Loans receivable (net of allowance for doubtful loans of \$1,762,000 in 2008 and \$1,778,000 in 2007)	3,429,059		2,812,666	
Inventories	781,594		821,294	
Prepaid expenses	11,692,662		14,852,514	
Deferred charges	2,499,098		2,166,458	
Total current assets	66,445,039	7,647,762	69,406,848	9,188,363
Noncurrent assets:				
Restricted investments			778,048	
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$46,526 in 2008 and \$62,100 in 2007)		5,398,656		7,359,673
Loans receivable (net of allowance for doubtful loans of \$188,000 in 2008 and \$171,500 in 2007)	18,571,058		18,158,253	
Other assets	774,228	250,350	583,655	265,217
Other long-term investments	96,351,747	94,030,612	109,596,615	105,761,174
Capital assets, net (Note 4)	292,816,910	650,000	275,825,177	650,000
Total noncurrent assets	408,513,943	100,329,618	404,941,748	114,036,064
Total assets	\$ 474,958,982	\$ 107,977,380	\$ 474,348,596	\$ 123,224,427
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable trade and other	\$ 10,860,799	\$ 171,119	\$ 9,657,193	\$ 174,152
Accounts payable to Wright State University		1,129,141		1,530,344
Accrued liabilities	15,342,162		15,041,175	
Deferred revenue (Note 1)	34,032,111		35,185,156	
Refunds and other liabilities	660,992	1,312,457	603,014	1,417,102
Current portion of long-term liabilities (Note 5)	9,060,865	652,496	9,288,996	1,048,492
Total current liabilities	69,956,929	3,265,213	69,775,534	4,170,090
Noncurrent liabilities:				
Long-term liabilities (Note 5)	41,564,022	482,404	44,949,100	496,808
Total noncurrent liabilities	41,564,022	482,404	44,949,100	496,808
Total liabilities	111,520,951	3,747,617	114,724,634	4,666,898
 Net assets:				
Invested in capital assets, net of related debt	257,525,679	650,000	238,243,782	650,000
Restricted - nonexpendable:				
Instruction and departmental research		13,574,639		10,747,904
Separately budgeted research		330,719		1,428,362
Public service		169,394		150,828
Academic support		452,670		413,534
Student services		9,746		9,315
Operation and maintenance of plant		2,133,903		4,309,700
Scholarships and fellowships		10,546,640		9,519,667
Auxiliaries		213,393		193,308
Restricted - expendable:				
Instruction and departmental research	4,116	34,480,750	24,432	52,578,223
Separately budgeted research		2,709,309	351,476	4,036,037
Public service		891,868	252,793	614,597
Academic support		1,503,121	75,862	1,060,295
Student services		288,593		173,960
Institutional support		11,004,750	74,949	8,443,734
Operation and maintenance of plant		811,322		1,072,215
Scholarships and fellowships	2,948	21,095,297	31,738	18,506,820
Loans	18,486,043		18,352,300	
Debt service	262,467		248,841	
Auxiliaries		141,622		509,036
Unrestricted	87,156,778	3,222,027	101,967,789	4,139,994
Total net assets	363,438,031	104,229,763	359,623,962	118,557,529
Total liabilities and net assets	\$ 474,958,982	\$ 107,977,380	\$ 474,348,596	\$ 123,224,427

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	2008		2007	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$26,792,000 in 2008 and \$24,734,000 in 2007)	\$ 115,248,658	\$	\$ 114,850,821	\$
Federal grants and contracts	36,423,211		37,857,905	
State grants and contracts	7,600,127		6,624,766	
Local grants and contracts	418,746		526,655	
Nongovernmental grants and contracts	44,638,086		39,445,827	
Sales and services	7,471,701		7,284,690	
Auxiliary enterprises sales (net of scholarship allowances of \$1,945,000 in 2008 and \$1,884,000 in 2007)	15,296,295		15,605,534	
Gifts and contributions		8,215,279		8,756,724
Other operating revenues	2,686,470		2,557,615	
Total operating revenues	229,783,294	8,215,279	224,753,813	8,756,724
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	122,399,987		118,099,371	
Separately budgeted research	30,003,263		29,752,961	
Public service	12,578,969		12,200,725	
Academic support	78,291,188		69,131,147	
Student services	17,085,740		16,341,109	
Institutional support	27,070,095	140,623	29,781,889	108,008
Operation and maintenance of plant	20,459,529		19,370,106	
Scholarships and fellowships	13,756,684		12,188,985	
Total educational and general	321,645,455	140,623	306,866,293	108,008
Auxiliary enterprises	26,982,389		25,322,739	
Depreciation	17,068,378		15,555,678	
Total operating expenses	365,696,222	140,623	347,744,710	108,008
Operating (loss)/revenue	(135,912,928)	8,074,656	(122,990,897)	8,648,716
NONOPERATING REVENUES (EXPENSES):				
State appropriations	98,715,229		94,525,234	
Federal Grants	11,230,106		9,328,167	
State Grants	3,587,751		3,121,169	
Gifts	8,449,720		6,462,277	
Investment (loss)/income (net of investment expenses of \$131,000 in 2008 and \$162,000 in 2007 for WSU and \$366,583 in 2008 and \$331,870 in 2007 for Foundation)	(3,494,059)	(6,620,028)	16,547,446	16,140,414
Interest on capital asset-related debt	(1,024,476)		(1,138,507)	
Payments to Wright State University		(15,782,394)		(8,180,618)
Other nonoperating revenues (expenses)	(245,394)		(1,543,856)	
Net nonoperating revenues/(expenses) before capital appropriations and capital grants	117,218,877	(22,402,422)	127,301,930	7,959,796
Capital appropriations from the State of Ohio	7,354,063		7,322,262	
Capital grants and gifts	15,154,057		3,132,203	
Total nonoperating revenues/(expenses) (net)	139,726,997	(22,402,422)	137,756,395	7,959,796
Increase/(decrease) in net assets	3,814,069	(14,327,766)	14,765,498	16,608,512
NET ASSETS				
Net assets - beginning of year	359,623,962	118,557,529	344,858,464	101,949,017
Net assets - end of year	\$ 363,438,031	\$ 104,229,763	\$ 359,623,962	\$ 118,557,529

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2008</u>	<u>2007</u>
Student tuition and fees	\$ 116,287,495	\$ 115,871,778
Federal, state, local, and nongovernmental grants and contracts	84,927,355	87,400,336
Sales and services of educational and other departmental activities	7,948,081	6,906,097
Payments to employees	(172,564,427)	(162,291,371)
Payments for benefits	(47,899,029)	(47,782,212)
Payments to suppliers	(106,448,533)	(104,841,762)
Payments for scholarships and fellowships	(14,853,154)	(12,685,381)
Student loans issued	(3,788,866)	(4,708,234)
Student loans collected	2,759,668	3,615,876
Student loan interest and fees collected	376,058	368,122
Auxiliary enterprise sales	16,405,584	13,917,957
	<hr/>	<hr/>
Net cash (used) by operating activities	(116,849,768)	(104,228,794)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	98,715,229	94,315,311
Grants for noncapital purposes	14,817,857	12,449,336
Gifts	8,648,201	5,590,232
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	122,181,287	112,354,879
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	7,771,532	8,325,051
Capital grants and gifts received	15,154,057	3,104,818
Purchases of capital assets	(33,697,459)	(41,273,685)
Sales of capital assets	16,801	101,604
Principal paid on capital debt and leases	(4,071,730)	(3,775,581)
Interest paid on capital debt and leases	(1,024,476)	(1,138,507)
	<hr/>	<hr/>
Net cash (used) by capital and related financing activities	(15,851,275)	(34,656,300)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	28,398,869	59,723,750
Interest on investments	7,257,975	4,936,447
Purchase of investments	(20,209,235)	(56,719,257)
	<hr/>	<hr/>
Net cash provided by investing activities	15,447,609	7,940,940
 Net Increase/(Decrease) in Cash and Cash Equivalents	4,927,853	(18,589,275)
 Cash and Cash Equivalents - Beginning of Year	<hr/>	<hr/>
Cash and Cash Equivalents - End of Year	\$ 23,701,950	\$ 18,774,097
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2008

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (the University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of approximately 17,000 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's eight 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 discretely presented in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, and amended by GASB Statement No. 39. Statement No. 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (the Foundation) is a legally separate, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation, 108J Allyn Hall, 3640 Colonel Glenn Highway, Dayton, OH 45435.

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

Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenses are recognized when the related liabilities are incurred.

Financial Statements

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.

Wright State University

Notes to Financial Statements
(Continued)

Pursuant to GASB Statement No. 35, the University follows GASB guidance as applicable to its business-type activities, and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

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

Investments

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

All securities purchased by external investment managers in the university's "liquidity" and "diversified" investment pools, with the exception of money market purchases and redemptions, are considered investments regardless of maturity date, as these investment pools are designed 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.

Inventories

Inventories, which consist principally of publications, general merchandise and other goods, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Wright State University

Notes to Financial Statements (Continued)

Capital Assets and Collections

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 assets is \$3,000 and an estimated useful life of more than one year. 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.

Compensated Absences

Compensated absences is comprised of vacation and sick leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability will include employees currently eligible to receive termination benefits and those identified as probable of receiving payment in the future.

Deferred Revenue

Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were \$22.0 million and \$11.0 million, respectively, for the year ended June 30, 2008 and \$24.8 million and \$9.4 million, respectively, for the year ended June 30, 2007.

Net Assets

Net assets are classified as follows:

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

It is the university's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Wright State University

Notes to Financial Statements (Continued)

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, some federal and state grants, gifts, and investment income. Nearly all of the university's expenses are a result of exchange transactions, and therefore classified as operating expenses. The major recurring nonoperating expenses are net losses on the disposition of capital assets and interest expense on capital assets-related debt.

OhioLINK

Wright State University serves as the fiscal agent for the statewide library program known as OhioLINK. This program's revenues from state appropriations, federal pass-through grants and from other college and university libraries and expenses are all included in the statement of revenues, expenses, and changes in net assets. The total revenue and expenses attributable to OhioLINK were \$37,923,624 and \$ 31,339,012 for the years ended June 30, 2008 and 2007, respectively.

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 2007 comparative information to conform to the 2008 presentation. The principal reclassification was related to recently updated GASB guidance for Pell and other grants indicating that these grants should be recorded as nonoperating revenues.

Wright State University

Notes to Financial Statements
(Continued)

(2) Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, university funds on deposit in the State Treasury Asset Reserve of Ohio are classified as cash equivalents in the statements of net assets. However, for GASB Statement No. 3 disclosure purposes (see below), the funds in the State Treasury Asset Reserve of Ohio are classified as investments.

Deposits

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

As of June 30, 2008 and 2007, the university's bank balances are \$22,357,234 and \$30,535,780, respectively. Of these balances, \$19,372,901 and \$27,008,167, respectively, are uninsured with collateral held by pledging banks not in the university's name.

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

	<u>2008</u>	<u>2007</u>
Petty cash	\$ 57,626	\$ 65,204
Demand deposits	16,427,175	15,920,584
Certificate of deposit		5,219,949
Money market funds	2,075,703	2,721,964
Total	<u>\$ 18,560,504</u>	<u>\$ 23,927,701</u>

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

Investments

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

Wright State University
Notes to Financial Statements
(Continued)

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

Description	Fair Value	
	2008	2007
U.S. Treasury securities	\$ 4,290,413	\$ 3,408,077
U.S. Agency securities	5,467,751	6,399,087
Common and preferred stock	506,541	546,117
Corporate bonds and notes	3,604,267	3,194,475
Repurchase agreements		778,043
State Treasury Asset Reserve of Ohio	5,141,446	66,350
Equity mutual funds	55,887,279	69,886,517
Bond mutual funds	28,060,615	27,311,750
Other	3,200	3,200
Total	\$ 102,961,512	\$ 111,593,616

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the University.

Interest Rate Risk The university's investment policy minimizes the risk of the loss of value due to changing interest rates through the use of target durations for each of the university's investment pools. The Cash Pool is maintained to meet the daily obligations of the University and consists of highly liquid instruments with little to no risk of loss of principal. The maximum weighted average maturity for the Cash Pool is less than one year. The Liquidity Pool provides a source of funds in the event the Cash Pool is insufficient to meet the university's cash needs and maintains a weighted average life of less than five years. The Diversified Investment Pool provides the University an opportunity to earn a higher rate of return through investments with longer durations. Equity managers are limited to a beta (volatility) of no more than 1.2 – 1.4 times the relevant benchmark. Duration for fixed income managed accounts must be within twenty percent of that of the Lehman Brothers Aggregate Bond Index.

Wright State University
Notes to Financial Statements
(Continued)

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

Investment Type	2008 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 4,290,413	\$	\$ 4,290,413	\$	\$
U.S. Agency securities	5,467,751	844,039	4,498,045	80,902	44,765
Corporate bonds and notes	3,604,267	624,280	2,591,154		388,833
Bond mutual funds	28,060,615		7,013,747	21,046,868	
Total	\$ 41,423,046	\$ 1,468,319	\$ 18,393,359	\$ 21,127,770	\$ 433,598

Investment Type	2007 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 3,408,077	\$ 183,339	\$ 3,224,738	\$	\$
U.S. Agency securities	6,399,087	684,773	4,211,411		1,502,903
Corporate bonds and notes	3,194,475	284,496	2,587,243		322,736
Repurchase agreements	778,043	778,043			
Bond mutual funds	27,311,750		6,534,622	20,777,128	
Total	\$ 41,091,432	\$ 1,930,651	\$ 16,558,014	\$ 20,777,128	\$ 1,825,639

The University invests in mortgage pass-through securities issued by FNMA, GNMA and FHLMC which are included above in the amounts listed as U.S. Agency securities. Prepayment options embedded in these securities cause them to be highly sensitive to interest rate changes. Generally when interest rates fall, more mortgages are prepaid. This eliminates the interest income that would have been received under the original amortization schedule. As of June 30, 2008 and 2007, the total value of mortgage pass-through securities is \$125,667 and \$1,627,895, respectively.

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

Wright State University
Notes to Financial Statements
(Continued)

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

Credit Rating	Total	<u>2008</u>					
		U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
AAA/Aaa	\$ 18,746,315	\$ 4,290,413	\$ 5,467,751	\$ 706,428	\$	\$ 5,141,446	\$ 3,140,277
AA/Aa	25,792,575			872,237			24,920,338
A	1,269,849			1,269,849			
BBB/Baa	707,101			707,101			
BB/Ba	48,652			48,652			
Total	<u>\$ 46,564,492</u>	<u>\$ 4,290,413</u>	<u>\$ 5,467,751</u>	<u>\$ 3,604,267</u>	<u>\$ 0</u>	<u>\$ 5,141,446</u>	<u>\$ 28,060,615</u>

Credit Rating	Total	<u>2007</u>					
		U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
AAA/Aaa	\$ 15,175,900	\$ 3,408,077	\$ 6,399,087	\$ 830,549	\$ 778,043	\$ 66,350	\$ 3,693,794
A	24,328,989			711,033			23,617,956
BBB/Baa	263,990			263,990			
BB/Ba	1,388,903			1,388,903			
Total	<u>\$ 41,157,782</u>	<u>\$ 3,408,077</u>	<u>\$ 6,399,087</u>	<u>\$ 3,194,475</u>	<u>\$ 778,043</u>	<u>\$ 66,350</u>	<u>\$ 27,311,750</u>

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2008 and 2007, \$13,362,431 and \$13,001,640, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University.

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

Concentration of Credit Risk Concentration of credit risk is the risk associated with a lack of diversification. It is the risk of loss attributed to the magnitude of the university's investment in a single issuer. Investment managers are required by the investment policy to limit exposure for any one single issue to no more than five percent of the portfolio, at cost. This limit does not apply to investments in U.S. securities. Equity and fixed income managers are required to limit exposure to any one economic sector to forty percent of the portfolio. Cash Pool managers must limit Commercial Paper in any one issuer to no more than five percent of the manager's portfolio.

As of June 30, 2008 and 2007, the university's portfolio does not hold any issuer which exceeds five percent of the university's total investments.

Wright State University

Notes to Financial Statements
(Continued)

Foreign Currency Risk Foreign currency risk relates to the possible adverse effects changes in exchange rates can have on the fair value of investments. According to the university's investment policy, international managers are expected to maintain an appropriate diversification with respect to currency and country exposure. All other managers are not permitted to invest in non-dollar denominated securities. As of June 30, 2008 and 2007, the university's exposure to foreign currency is limited to its investment in international mutual funds of \$15,330,953 and \$17,976,062, respectively.

Series 2004 Bond Proceeds In December 2004, the University issued \$31,335,000 General Receipt Bonds to fund various capital projects. All bond proceeds have been utilized by June 30, 2008. As of June 30, 2007, \$778,043 of the proceeds remained unspent.

Investment Income The composition of investment income is as follows:

	Year Ended June 30	
	2008	2007
Net interest and dividend income	\$ 3,027,306	\$ 3,761,169
Realized gains on sales	4,216,154	1,179,836
Unrealized gains/(losses) in fair value	(10,737,519)	11,606,441
Total	\$ (3,494,059)	\$ 16,547,446

(3) Accounts Receivable

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

	2008	2007
Sponsor receivables	\$ 12,513,272	\$ 11,338,092
Student and student-related accounts	9,483,570	10,131,467
Wright State University Foundation	1,129,141	1,530,344
Interest receivable	167,657	182,171
State appropriations	429,623	1,256,796
Other, primarily departmental sales and services	469,094	513,392
Total	24,192,357	24,952,262
Less: Allowance for doubtful accounts	1,320,000	1,345,000
Net accounts receivable	\$ 22,872,357	\$ 23,607,262

Wright State University

Notes to Financial Statements
(Continued)

(4) Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007 is summarized as follows:

	<u>07/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/2008</u>
Land	\$ 3,049,830	\$	\$	\$	\$ 3,049,830
Land improvements and infrastructure	30,401,057	431,083			30,832,140
Buildings	276,754,435	18,267,937		33,480,526	328,502,898
Machinery and equipment	70,665,172	13,166,600	(2,819,807)		81,011,965
Library books and publications	47,620,426	2,353,967	(204,198)		49,770,195
Construction in progress	<u>33,515,105</u>	<u>102,719</u>		<u>(33,480,526)</u>	<u>137,298</u>
Total	462,006,025	34,322,306	(3,024,005)		493,304,326
Less accumulated depreciation:					
Land improvements and infrastructure	9,805,395	985,584			10,790,979
Buildings	106,027,299	6,904,957			112,932,256
Machinery and equipment	41,214,298	7,066,431	(2,557,612)		45,723,117
Library books and publications	<u>29,133,856</u>	<u>2,111,406</u>	<u>(204,198)</u>		<u>31,041,064</u>
Total accumulated depreciation	<u>186,180,848</u>	<u>17,068,378</u>	<u>(2,761,810)</u>		<u>200,487,416</u>
Capital assets, net	<u>\$ 275,825,177</u>	<u>\$ 17,253,928</u>	<u>\$ (262,195)</u>		<u>\$ 292,816,910</u>

Wright State University

Notes to Financial Statements
(Continued)

	Balance 07/01/2006	Additions	Retirements	Balance 06/30/2007
Land	\$ 3,049,830	\$	\$	\$ 3,049,830
Land improvements and infrastructure	29,999,395	401,662		30,401,057
Buildings	264,101,688	12,710,794	(58,047)	276,754,435
Machinery and equipment	67,582,236	6,666,291	(3,583,355)	70,665,172
Library books and publications	48,640,350	2,859,384	(3,879,308)	47,620,426
Construction in progress	<u>16,283,886</u>	<u>17,231,219</u>		<u>33,515,105</u>
Total	429,657,385	39,869,350	(7,520,710)	462,006,025
Less accumulated depreciation:				
Land improvements and infrastructure	8,478,411	1,326,984		9,805,395
Buildings	99,730,960	6,311,708	(15,369)	106,027,299
Machinery and equipment	37,838,406	5,653,876	(2,277,984)	41,214,298
Library books and publications	<u>30,452,643</u>	<u>2,263,110</u>	<u>(3,581,897)</u>	<u>29,133,856</u>
Total accumulated depreciation	<u>176,500,420</u>	<u>15,555,678</u>	<u>(5,875,250)</u>	<u>186,180,848</u>
Capital assets, net	<u>\$ 253,156,965</u>	<u>\$ 24,313,672</u>	<u>\$ (1,645,460)</u>	<u>\$ 275,825,177</u>

Wright State University

Notes to Financial Statements
(Continued)

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the years ended June 30, 2008 and 2007 is summarized as follows:

	Beginning Balance <u>07/01/2007</u>	Additions	Principal Repayments Reductions	Ending Balance <u>06/30/2008</u>	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 38,402,229	\$	\$ 3,667,635	\$ 34,734,594	\$ 3,724,233
Equipment leases	<u>335,867</u>	<u>958,521</u>	<u>404,095</u>	<u>890,293</u>	<u>336,632</u>
Total bonds and equipment leases	\$ 38,738,096	\$ 958,521	\$ 4,071,730	\$ 35,624,887	\$ 4,060,865
Other liabilities:					
Compensated absences	<u>15,500,000</u>	<u>6,092,691</u>	<u>6,592,691</u>	<u>15,000,000</u>	<u>5,000,000</u>
Total other liabilities	<u>15,500,000</u>	<u>6,092,691</u>	<u>6,592,691</u>	<u>15,000,000</u>	<u>5,000,000</u>
Total long-term liabilities	<u>\$ 54,238,096</u>	<u>\$ 7,051,212</u>	<u>\$ 10,664,421</u>	<u>\$ 50,624,887</u>	<u>\$ 9,060,865</u>
	Beginning Balance <u>07/01/2006</u>	Additions	Principal Repayments Reductions	Ending Balance <u>06/30/2007</u>	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 41,966,279	\$	\$ 3,564,050	\$ 38,402,229	\$ 3,667,636
Equipment leases	<u>547,398</u>	<u></u>	<u>211,531</u>	<u>335,867</u>	<u>221,360</u>
Total bonds and equipment leases	\$ 42,513,677	\$	\$ 3,775,581	\$ 38,738,096	\$ 3,888,996
Other liabilities:					
Compensated absences	<u>14,500,000</u>	<u>2,953,150</u>	<u>1,953,150</u>	<u>15,500,000</u>	<u>5,400,000</u>
Total other liabilities	<u>14,500,000</u>	<u>2,953,150</u>	<u>1,953,150</u>	<u>15,500,000</u>	<u>5,400,000</u>
Total long-term liabilities	<u>\$ 57,013,677</u>	<u>\$ 2,953,150</u>	<u>\$ 5,728,731</u>	<u>\$ 54,238,096</u>	<u>\$ 9,288,996</u>

Wright State University
Notes to Financial Statements
(Continued)

Bonds payable on June 30, 2008 consist of Series 2003 and 2004 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2008 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2008-2023	3.00% - 5.00%	\$ 7,795,000	\$ 273,618	\$ 8,068,618
Series 2004	2008-2029	2.50% - 5.00%	<u>25,855,000</u>	<u>810,976</u>	<u>26,665,976</u>
Total bonds payable			33,650,000	1,084,594	34,734,594
Equipment lease purchase obligations	2008-2009	3.57% - 4.55%	<u>890,293</u>		<u>890,293</u>
		Total	<u>\$ 34,540,293</u>	<u>\$ 1,084,594</u>	<u>\$ 35,624,887</u>

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

Year Ended June 30	Principal	Interest	Total
2009	\$ 3,936,632	\$ 1,462,756	\$ 5,399,388
2010	3,940,280	1,326,626	5,266,906
2011	3,982,258	1,184,996	5,167,254
2012	2,526,079	1,016,951	3,543,030
2013	2,145,852	925,885	3,071,737
2014-2018	8,179,192	3,500,905	11,680,097
2019-2023	5,175,000	1,794,375	6,969,375
2024-2028	3,815,000	717,325	4,532,325
2029	<u>840,000</u>	<u>37,800</u>	<u>877,800</u>
Total	<u>\$ 34,540,293</u>	<u>\$ 11,967,619</u>	<u>\$ 46,507,912</u>

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

Interest expense incurred on indebtedness for the years ended June 30, 2008 and 2007 was \$1,024,476 and \$1,138,507 respectively. In 2008, interest expense on construction related debt of \$448,830, net of \$6,990 interest earned on invested funds, was capitalized to the related capital projects. In 2007, interest expense on construction related debt of \$777,188, net of \$346,643 interest earned on invested funds, was capitalized to the related capital projects.

Wright State University
Notes to Financial Statements
(Continued)

(6) Operating Leases

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the statements of net assets. Rent expenses for the year ended June 30, 2008 and 2007 were \$1,833,475 and \$1,372,529, respectively.

Future minimum payments for all material operating leases as of June 30, 2008, are as follows:

2009	\$ 1,423,904
2010	905,196
2011	701,913
2012	635,408
2013	501,615
2014	66,008
Total minimum lease payments	\$ 4,234,044

(7) Retirement Plans

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

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

STRS plan participants are required to contribute 10 percent and the University 14 percent of the employees' covered compensation. Through December 31, 2007, OPERS plan participants were required to contribute 9.5 percent and the University 13.77 percent of the employees' covered compensation. As of January 1, 2008, OPERS plan participants contribute 10 percent and the University 14 percent of the employees' covered compensation. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$8,512,663, \$8,865,540, and \$8,281,427, and to OPERS were \$8,136,269, \$7,435,839, and \$6,992,318, for the years ended June 30, 2008, 2007, and 2006, respectively, equal to the required contributions for each year.

Certain full-time university faculty and staff have the option to choose the ARP in place of STRS or OPERS. The ARP is a defined contribution plan which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority

Wright State University

Notes to Financial Statements
(Continued)

to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rate for plan participants is 10% of employees' covered compensation for employees who would otherwise participate in STRS. Through December 31, 2007, the required contribution rate for plan participants was 9.5 percent of employees' covered compensation for employees who would otherwise participate in OPERS. As of January 1, 2008, the required contribution rate for plan participants is 10 percent of employees' covered compensation for employees who would otherwise participate in OPERS. The university's contributions to a participating faculty member's account and to STRS are 10.5 percent and 3.5 percent of a participant's compensation, respectively. The university's contributions to a participating staff member's account and to OPERS are 13.23 percent and .77 percent of a participant's compensation, respectively. Plan participants' contributions were \$3,834,684, \$3,328,604, and \$2,942,750, and the university's contributions to the plan providers amounted to \$4,500,074, \$4,068,882, and \$3,619,167, respectively, for the years ended June 30, 2008, 2007, and 2006. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$848,918, \$763,789, and \$708,511, respectively, for the years ended June 30, 2008, 2007, and 2006. The amount contributed to OPERS by the University on behalf of ARP participants was \$79,667 for the year ended June 30, 2008. There were no contributions to OPERS for the years ended June 30, 2007 and 2006.

(8) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1 percent of the total 14.00 percent (see note 7), while the OPERS rate was 6 percent of the total effective 13.77 percent effective July 1, 2007.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$4.1 billion at June 30, 2007. The number of benefit recipients eligible for OPEB was 122,934 for STRS at June 30, 2007. The amount contributed by the University to STRS to fund these benefits was \$608,047 for the year ended June 30, 2008.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. The number of OPERS active contributing participants was 374,979 for the year ended December 31, 2007. For the year ended June 30, 2008 the University contributed \$3,515,853 to OPERS for OPEB funding.

(9) Related Organization

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of

Wright State University

Notes to Financial Statements
(Continued)

promoting educational and research activities. Assets of the Foundation totaled approximately \$108,000,000 at June 30, 2008. Such assets relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating "gifts" and "capital grants and gifts" in the accompanying financial statements.

(10) State Support

The University is a state-assisted institution of higher education which receives a student enrollment-based subsidy from the State of Ohio. This subsidy is determined annually by the Ohio Board of Regents, Ohio's higher education advising and coordinating board.

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

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

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

(11) Commitments and Contingencies

At June 30, 2008, the University is committed under contractual obligations for:

Capital expenditures	\$ 10,727,552
Non-capital goods and services	<u>9,558,780</u>
Total contractual commitments	<u>\$ 20,286,332</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 2,581,473
University funds	<u>17,704,859</u>
Total sources	<u>\$ 20,286,332</u>

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

Wright State University

Notes to Financial Statements
(Continued)

The University receives significant assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. Management believes that any potential disallowance of claims would not have a material effect on the financial statements.

The University maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The University also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts. There has been no significant change in coverage from last year.

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

(12) Summary of Significant Accounting Policies

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

Cash and Equivalents

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

Pledges Receivable

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

Investments in Securities

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

Investment Earnings

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

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Notes to Financial Statements
(Continued)

(13) Pledges Receivable

Pledges receivable at June 30, 2008 and 2007, by fund type, are as follows:

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	\$ 60,600	\$ 2,486,961	\$ 1,064,657	\$ 3,612,218
One to five years	4,800	2,634,778	107,270	2,746,848
Six years or greater		2,000,000		2,000,000
Gross pledges receivable	65,400	7,121,739	1,171,927	8,359,066
Present value discount	(400)	(1,249,639)	(9,727)	(1,259,766)
Allowance for uncollectible pledges	(400)	(41,100)	(5,900)	(47,400)
Pledges receivable (net)	\$ 64,600	\$ 5,831,000	\$ 1,156,300	\$ 7,051,900
	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	\$ 18,917	\$ 2,654,187	\$ 1,053,193	\$ 3,726,297
One to five years	4,800	4,769,550	63,000	4,837,350
Gross pledges receivable	23,717	7,423,737	1,116,193	8,563,647
Present value discount	(317)	(354,637)	(6,193)	(361,147)
Allowance for uncollectible pledges	(300)	(60,000)	(3,700)	(64,000)
Pledges receivable (net)	\$ 23,100	\$ 7,009,100	\$ 1,106,300	\$ 8,138,500

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 2.46 percent to 5.10 percent.

(14) Investments in Securities

The cost and fair value of the foundation's investments, at June 30, 2008 and 2007, are as follows:

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	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
Equity	\$ 57,027,503	\$ 48,050,857	\$ 60,521,218	\$ 71,778,180
Fixed income	30,603,366	31,460,669	33,380,247	32,515,478
Alternative assets	<u>13,150,000</u>	<u>12,786,600</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 100,780,869</u>	<u>\$ 92,298,126</u>	<u>\$ 93,901,465</u>	<u>\$ 104,293,658</u>

Net realized gains on sales of investments were \$10,026,863 and \$5,638,104 for the years ended June 30, 2008 and 2007, respectively. Calculation of net realized gains on sales of investments is based on original cost.