



Midwestern State University

Financial Report

(Unaudited)

For The Year Ended

August 31, 2014

Midwestern State University

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Office of the President
3410 Taft Boulevard Wichita Falls, Texas 76308-2099
o 940.397.4211 f 940.397.4010

November 18, 2014

Honorable Rick Perry, Governor
Honorable Susan Combs, State Comptroller
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of Midwestern State University for the year ended August 31, 2014, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with GAAP. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Mr. Chris Stovall at (940) 397-4273

Sincerely,

Jesse W. Rogers
President



Business Affairs and Finance
3410 Taft Boulevard Wichita Falls, Texas 76308-2099
o 940.397.4117 f 940.397.4302

November 18, 2014

Dr. Jesse Rogers, President
Midwestern State University
Wichita Falls, TX 76308

Dear Dr. Rogers,

Submitted herein is the Annual Financial Report of Midwestern State University for the fiscal year ended August 31, 2014.

The financial statements in this report have been prepared in conformity with the General Provisions of the Appropriations Act, Article IX, and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying Annual Financial Report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the statements and related information contained in this report.

We are prepared to answer any questions you may have about the Annual Financial Report or the schedule of Expenditures of Federal Awards.

Respectfully Submitted,

Chris Stovall
Controller

Approved:

Marilyn Fowlé, Vice President
Business Affairs and Finance

Midwestern State University

Management's Discussion & Analysis - Unaudited

The objective of Management's Discussion and Analysis is to help readers of Midwestern State University's financial statements better understand the financial position and operating activities of the university for the fiscal years ended August 31, 2014 and 2013.

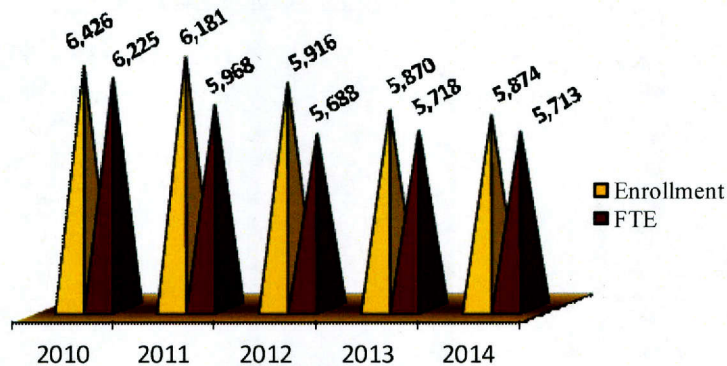
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

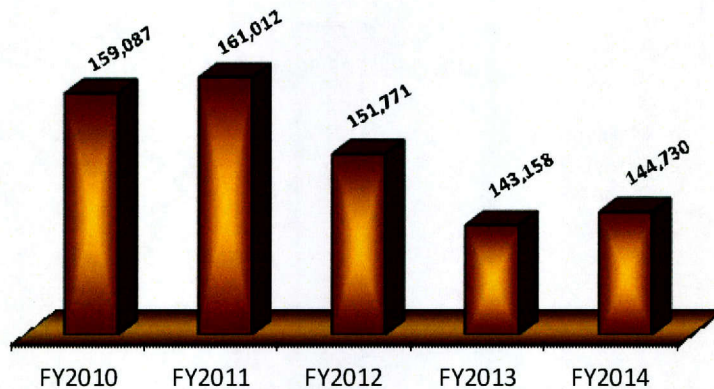
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2010. Increased academic standards, a decline in local college age population, and a statewide consistent pattern of very flat student enrollment explain this variance.

Beginning in 2006, and again in 2011, the university changed its academic standards to ensure students were prepared to pursue higher education. The increase in standards has created growth in student retention as more of our freshmen are better prepared for college which also improves graduation rates. Graduation rates may become financially important to the university as future state appropriations are contingent on such successful outcomes. In addition, the university is one of the few institutions in Texas capable of offering in-state tuition rates plus a \$65.00/semester credit hour assessment to all US citizens, which is a great positive impact on future enrollment.

Fall Headcount vs FTE

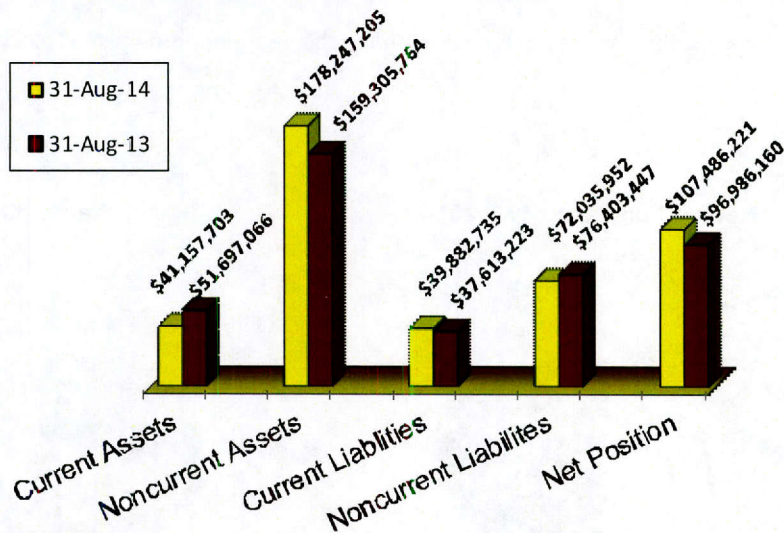


Total Enrolled Semester Credit Hours



Midwestern State University

Management's Discussion & Analysis - Unaudited



The Statement of Net Position

By reporting information on the university as a whole, these comparative statements highlight for the reader whether or not the year's activities strengthened or weakened the university's financial position. When revenues and other support exceed expenses, the result is an increase in net position. The relationship between revenues and expenses may be thought of as the university's operating results.

These comparative statements report the current status and changes to the university's net position. Net position, the difference between assets and liabilities, is one way to measure the university's financial position. Increases in net position show an improvement in financial health while decreases often indicate declining financial stability. However, many other non-financial factors, such as the trend in admission applicants, enrollment, student retention, and condition of the buildings must be considered to accurately assess the overall health of the university.

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Current Assets	\$ 41,157,702.66	\$ 51,697,065.64
Noncurrent Assets:		
Capital Assets	128,809,959.12	128,421,381.90
Other	49,437,246.25	30,884,381.95
Total Assets	<u>\$219,404,908.03</u>	<u>\$211,002,829.49</u>
Current Liabilities	\$ 39,882,734.79	\$ 37,613,222.60
Noncurrent Liabilities	72,035,952.40	76,403,446.85
Total Liabilities	<u>111,918,687.19</u>	<u>114,016,669.45</u>
Net Position:		
Invested in Capital Assets	54,838,878.39	48,917,220.70
Restricted for:		
Debt Retirement		
Nonexpendable	4,375,727.45	4,071,779.08
Expendable:		
Capital Projects	1,842,365.98	4,558,695.81
Restricted by Contributor	12,880,943.23	10,605,445.99
Unrestricted	33,548,305.79	28,833,018.46
Total Net Position	<u>107,486,220.84</u>	<u>96,986,160.04</u>
Total Liabilities and Net Position	<u>\$219,404,908.03</u>	<u>\$211,002,829.49</u>

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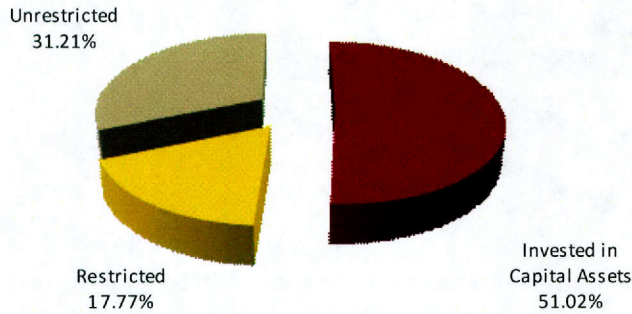
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Midwestern State University Management's Discussion & Analysis - Unaudited

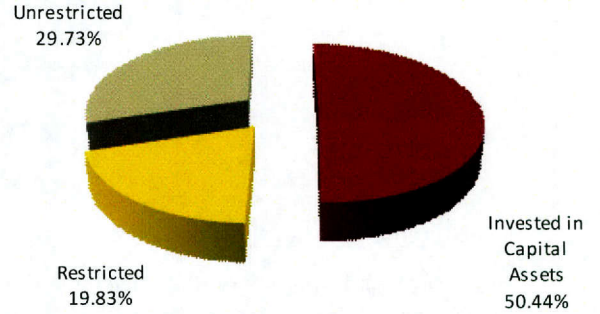
The following charts indicate the changes in net position for the year ended August 31, 2014 as compared to the previous year.

ANNUAL FINANCIAL REPORT

Net Position - August 31, 2014

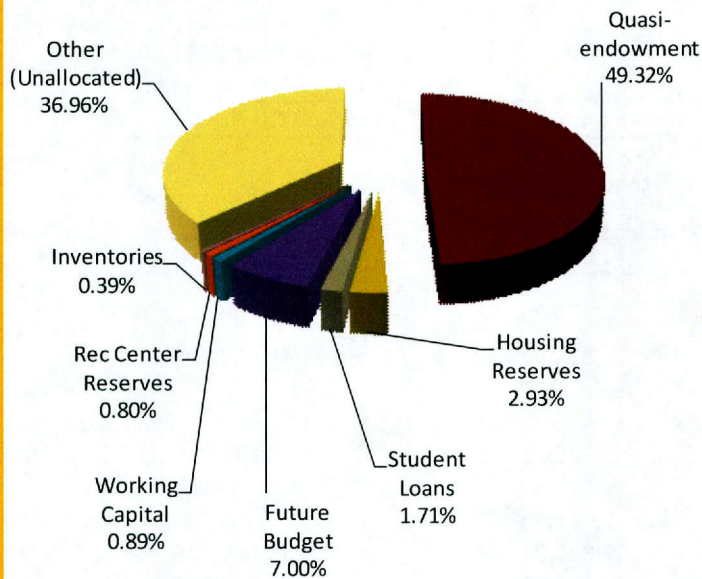


Net Position - August 31, 2013

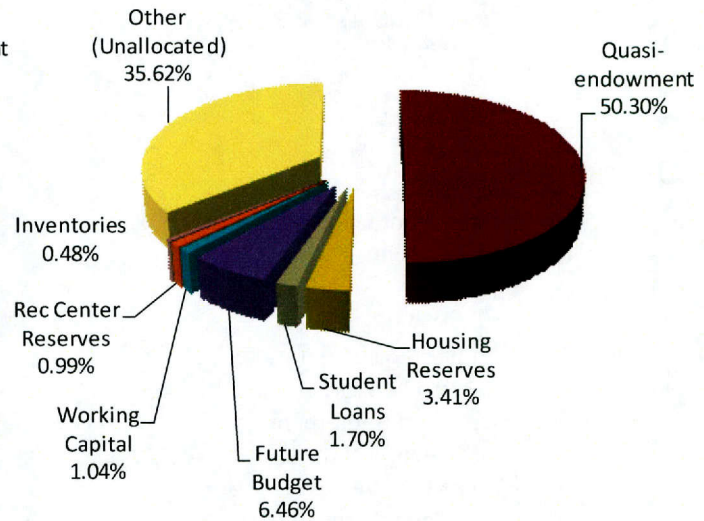


The university reports unrestricted net position of 31.21% of total net position for the year ended August 31, 2014 and 29.73% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how funds have been allocated:

**Allocation of Unrestricted Net Position
August 31, 2014**



**Allocation of Unrestricted Net Position
August 31, 2013**



Midwestern State University

Management's Discussion & Analysis - Unaudited

The University's Results of Operations

The statement of revenues, expenses, and changes in net position reflects the university's operating results for the fiscal years ended August 31, 2014 and 2013. The comprehensive statements indicate the financial condition of the university, and comparatively analyze in what direction the university is moving. The following statements reveal the operating results of the university, as well as the non-operating revenues and expenditures. Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and food services. Certain federal, state, and private grants are considered operating revenues if they are not for capital purposes and are considered a contract for services. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

The statement below compares the operating results of the university for the years ended August 31, 2014 and 2013.

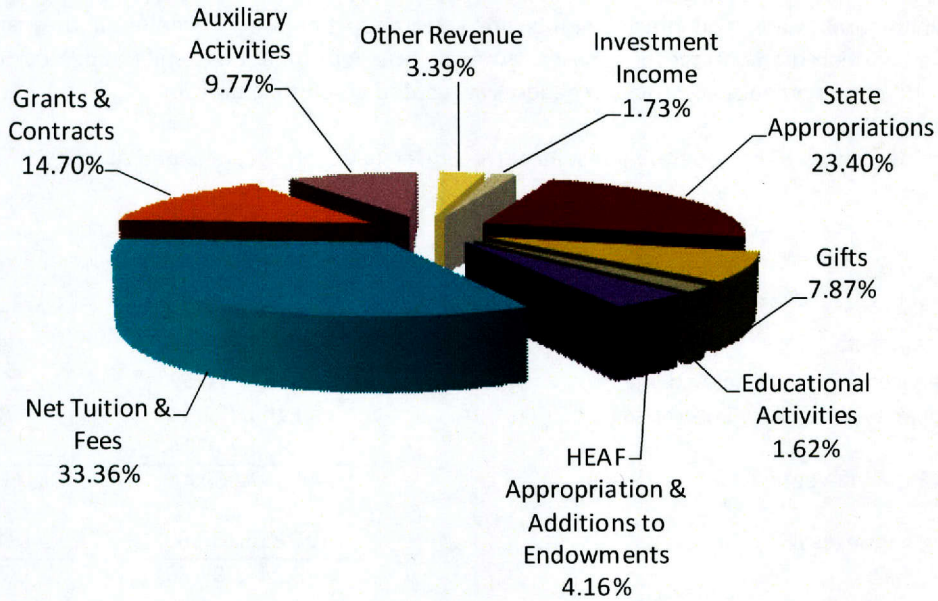
	<u>2014</u>	<u>2013</u> <u>Restated</u>
Operating Revenue:		
Net tuition and fees	\$ 31,281,819.39	\$ 31,369,150.56
Grants and contracts	5,189,141.94	4,696,721.58
Sales and Service of Educational Activities	1,517,370.52	1,218,120.57
Sales and Services of Auxiliary Enterprises	9,165,772.35	8,511,928.88
Other	1,413,256.24	1,544,533.19
Total Operating Revenue	48,567,360.44	47,340,454.78
Total Operating Expenses	(91,816,157.83)	(84,907,974.91)
Operating Loss	(43,248,797.39)	(37,567,520.13)
Nonoperating Revenues (Expenses):		
State Appropriations	17,039,451.35	16,619,208.00
Other State Appropriations	4,901,343.38	4,535,980.58
Federal Grants	8,316,438.01	8,014,771.20
Federal Pass-Through Grants	2,000.00	
State Pass-Through Grants from Other Agencies	270,071.00	
Gifts	7,380,693.44	8,829,212.02
Insurance Recovery in Subsequent Year	1,795,531.14	
Other Nonoperating Revenues (Expenses)	(15,357.50)	5,543.41
Investment Income	1,618,380.81	684,673.14
Net Increase (Decrease) in Fair Value of Investments	3,434,194.59	567,653.01
Net Book Value of Capital Asset Disposals	(134,005.13)	(385,589.60)
Interest Expense on Capital Asset Financing	(3,247,235.29)	(3,701,517.09)
Total Nonoperating Revenue (Expense)	41,361,505.80	35,169,934.67
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,887,291.59)	(2,397,585.46)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	9,268,395.65	755,000.00
HEAF Appropriation	3,559,433.00	3,559,433.00
Additions to Endowments	337,110.60	165,595.50
Transfers In	0.99	1,747.95
Transfers Out	(777,587.85)	(945,166.41)
Increase (Decrease) in Net Position	10,500,060.80	1,139,024.58
Net Position, Beginning of Year	97,003,660.04	95,864,635.46
Restatements	(17,500.00)	
Net Position, Beginning of Year, Restated	96,986,160.04	
Net Position, End of Year	\$ 107,486,220.84	\$ 97,003,660.04

Year Ended
8-31-2014
(UNAUDITED)

Midwestern State University Management's Discussion & Analysis - Unaudited

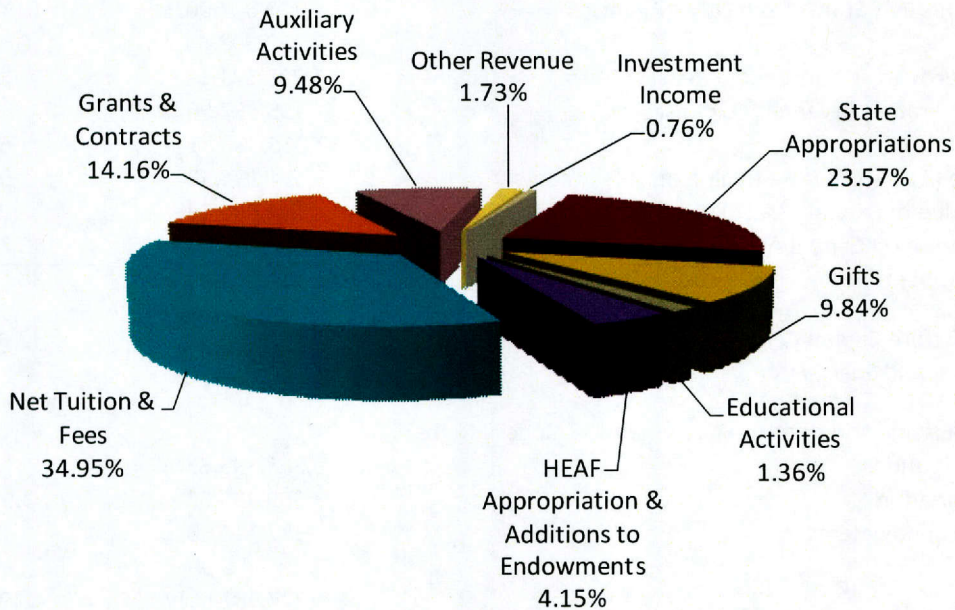
This chart identifies the components of total revenue for the year ended August 31, 2014.

Total Revenue - August 31, 2014



This chart reflects the same information for the year ended August 31, 2013.

Total Revenue - August 31, 2013



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Midwestern State University

Management's Discussion & Analysis - Unaudited

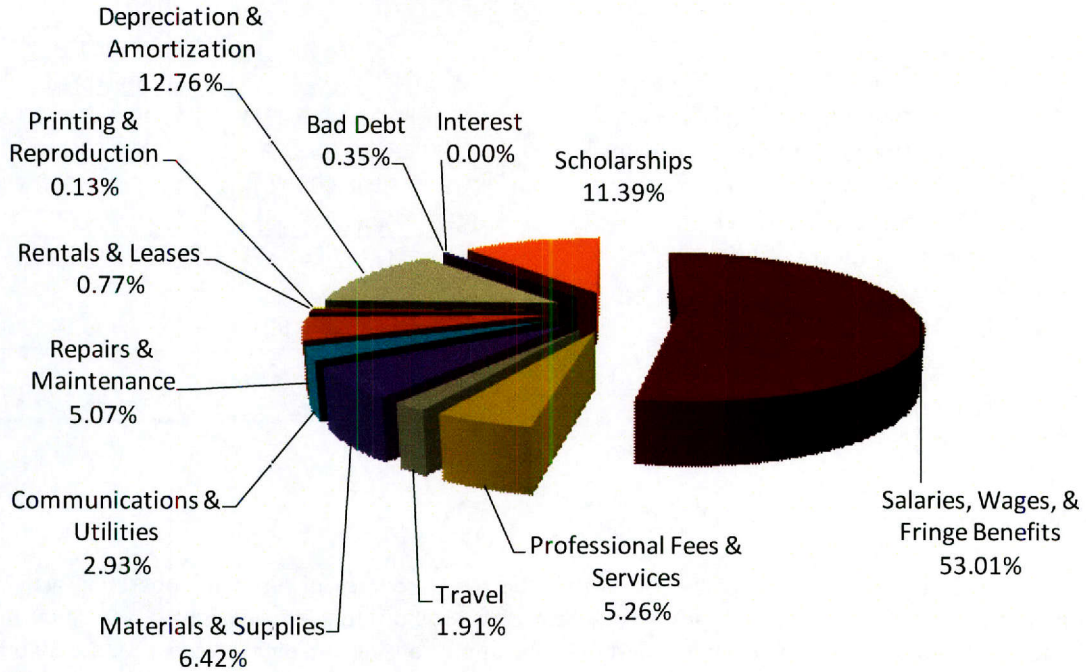
Total operating expenses for the year ended August 31, 2014 were \$91,816,157.83 as compared to \$84,907,974.91 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2014 and fiscal year 2013.

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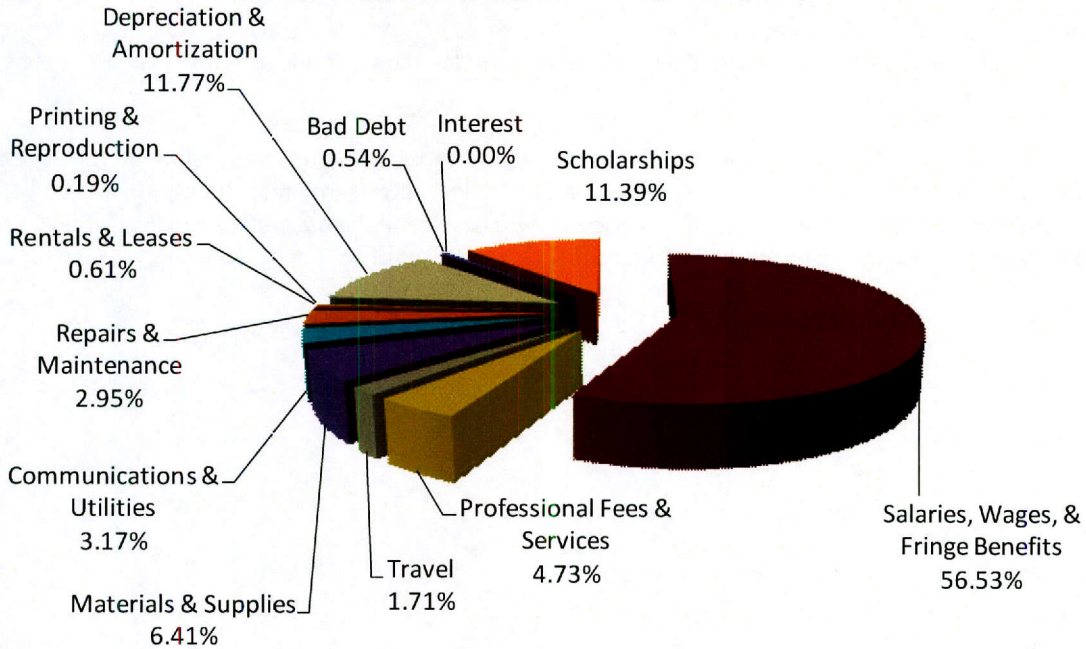
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Total Operating Expenses - August 31, 2014



Total Operating Expenses - August 31, 2013



Midwestern State University

Management's Discussion & Analysis - Unaudited

The University's Cash Flows

The Statement of Cash Flows represents the university's significant sources and uses of cash. It is designed to help users assess the university's ability to generate future cash flows, its ability to meet obligations as they come due, and its need for external financing.

	<u>Cash Flows</u>	
	<u>2014</u>	<u>2013</u>
Cash provided (used) by:		<u>Restated</u>
Operating activities	\$(30,362,385.42)	\$ (26,869,460.32)
Noncapital financing activities	38,494,348.79	36,950,384.30
Capital and related financing activities	(7,854,099.85)	(9,231,970.99)
Investing activities	<u>(1,056,488.65)</u>	<u>299,695.68</u>
Net increase (decrease) in cash	(778,625.13)	1,148,648.67
Cash – Beginning of year	<u>7,985,250.87</u>	<u>6,836,602.20</u>
Cash – End of year	<u>\$ 7,206,625.74</u>	<u>\$ 7,985,250.87</u>

There was a net decrease in cash of \$778,625.13.

Exhibit III, the Statement of Cash Flows, shows that the major sources of funds for operating activities are from student tuition and fees, grants and auxiliary enterprises. Tuition and fees accounted for \$29.9 million, grants accounted for \$5.87 million, and auxiliary enterprises, including housing and dining, accounted for \$9.6 million.

State appropriations in the amount of \$20.7 million were the primary sources of non-capital financing. Although the university is dependent on these appropriations to continue the current level of operations, accounting standards require that this source of funding be reflected as non-operating. Other non-capital financing activities include gifts in the amount of \$7.9 million, additions to endowments in the amount of \$337 thousand, and \$8.6 million in Federal non-operating grants.

The main uses of capital and related financing activities came from the expansion of the McCoy School of Engineering, renovation to the Wichita Falls Museum of Art at Midwestern State University, and construction of the Dalquest Desert Research Station. Cash was used to purchase capital assets in the amount of \$3.1 million and for the payment of principal and interest on capital debt in the amount of \$8.9 million.

ANNUAL FINANCIAL REPORT

Midwestern State University

Management's Discussion & Analysis - Unaudited

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2014, the university had \$128.8 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$128 million. Depreciation and amortization charges totaled \$11.7 million for the current fiscal year. The category of other capital assets includes library holdings, artwork, and collections. Assets by classification are shown below:

Capital Assets Before Accumulated Depreciation and Amortization

	<u>2014</u>	<u>2013</u>
Land and Land Improvements	\$ 5,919,952.66	\$ 5,434,952.66
Construction in Progress	479,967.98	842,447.77
Buildings and Building Improvements	189,483,965.51	187,171,528.01
Infrastructure	12,823,874.86	12,823,874.86
Facilities Improvements	7,341,589.58	7,227,418.61
Furniture and Equipment	12,770,561.16	12,317,951.24
Vehicles	1,966,127.79	1,718,379.79
Computer Software	10,730,009.48	2,165,668.83
Other Capital Assets	<u>15,376,381.22</u>	<u>15,394,522.21</u>
Total	<u>\$256,892,430.24</u>	<u>\$245,096,743.98</u>

Additions to assets of \$12.1 million during fiscal year 2013-2014 included: completion of the renovations to the McCoy School of Engineering and the Wichita Falls Museum of Art at MSU, the significant donation of computer software for the new petroleum geology program, and a gift of land to the university.

The construction in progress at the end of the year includes exterior renovations of the Wichita Falls Museum of Art at MSU, the West Campus Annex Project, and additions to the Dalquest Research Station.

Further financial information about the university's capital assets is presented in Note 2 of the notes to the financial statements.

Debt

At year-end, the university had \$106.2 million in outstanding debt. Outstanding debt for the year ended August 31, 2013 was \$114.8 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2014 compared with August 31, 2013.

	<u>2014</u>	<u>2013</u>
Revenue Bonds	\$ 73,124,784.49	\$ 77,064,754.04
General Obligation Bonds (HEAF)		1,455,000.00
Accrued long term interest payable on bonds	<u>33,174,046.66</u>	<u>36,357,151.57</u>
Total	<u>\$106,298,831.15</u>	<u>\$114,876,905.61</u>

Debt repayments made during the year included principal in the amount of \$5,510,000.00 and interest in the amount of \$3,183,104.91.

Moody's Investor Services has assigned an A1 bond rating to the university's bonds, and Fitch has assigned an AA- rating. More detailed bond information is disclosed in Schedule 2A, 2B, 2C, 2D, and 2E.

ANNUAL FINANCIAL REPORT

Midwestern State University

Management's Discussion & Analysis - Unaudited

Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU), like universities throughout the United States, faces numerous future challenges. MSU has developed a strategic plan to provide a framework to address these challenges with an eye to the long-term prosperity of the university.

INTERNAL STRENGTHS

The following are areas of strength that MSU can use to advance itself toward its goals.

Positive reputation – MSU has a positive reputation and a loyal base of donors. This strength enhances the ability to recruit students and benefit from external gifts. MSU has received substantial gifts from members of the local community.

Council of Public Liberal Arts Colleges (COPLAC) membership – MSU is a member of COPLAC, which complements the university's standing as a public liberal arts institution. MSU is committed to a strong liberal arts experience for students in all majors. COPLAC values interdisciplinary opportunities, close faculty and student interactions, and opportunities for faculty-supervised research.

Educational value – MSU, given its student orientation and highly qualified faculty, is able to provide excellent educational outcomes at a moderate price. In 2013, MSU was ranked a top college in Texas for greatest lifetime return on investment by AffordableCollegesOnline.org (AC Online). The ranking identified the 49 colleges in Texas where degrees pay off the most and MSU ranked No. 15 on the list.

EXTERNAL ENVIRONMENT

A number of patterns in the operating environment will affect MSU in the future.

LOCAL AND STATE DEMOGRAPHICS

The local area's population growth is expected to remain flat during the next 10 years.

The proportion of the local population that will be college age in the next decade is declining. Census data from 2000 and 2010 indicate that the number of 10- to 14-year-olds dropped from just more than 9,000 to just more than 8,000, and the number of 15- to 19-year-olds declined from approximately 12,000 to approximately 10,500.

Texas state population will continue to grow into the next decade. The rate of growth may be slightly lower than in the past, but it will remain robust. Much of the population growth will occur in Texas' metropolitan areas including Dallas/Fort Worth, Austin, San Antonio, and Houston.

PREPARATION OF STUDENTS

A sizable proportion of students seeking admission to MSU will continue to be under-prepared for college-level work. Texas ranks in the middle of states on measures of math and reading proficiency for fourth- and eighth-graders and mean SAT scores for Texas indicate that Texas students are under-performing compared to students throughout the United States.

Students admitted to MSU will continue to be from groups for which retention is challenging, including first-generation college students, students from low-wage families, and students with outside employment.

TECHNOLOGY

Technological change will continue to be very rapid, requiring frequent updates and additions to keep pace with technological applications outside of the university.

Entering students will expect the use of technology such as social networking, computer-based interactive educational programs, webinars, and learning modules that can be downloaded to smart phones. Required investments in technology will not only be for discipline-specific purposes, but also for all areas of instruction.

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Midwestern State University

Management's Discussion & Analysis - Unaudited

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MSU continues to receive less than 25% of its funding from the State of Texas, while costs increase. Capital investment to keep pace with technology is needed and, as federal financial aid dollars are diminished, the demand for university financial aid support increases.

Midwestern State University continues to seek private funding to supplement tuition and fees and state funding in order to provide the rigorous education that will allow students to compete in an ever increasingly competitive job environment.

ENROLLMENT

Fall 2014 enrollment is essentially the same as Fall 2013, with a student headcount of 5,874. Please consider the following:

The beginning freshman class is within four students of the record 2013 beginning freshman class.

The geographic distribution of the beginning freshman class is similar to that of 2014, with some 34% from the Dallas/Fort Worth metropolitan area.

The two large beginning freshman classes of 2013 and 2014 who will live on campus have resulted in university housing being oversubscribed by 200 students.

The Fall 2014 class' academic records are similar to Fall 2013.

Fall-to-Fall retention for the Fall 2013 beginning freshman class increased some five percentage points as compared to the Fall 2012 cohort.

MSU experienced a decline of some 67 transfer students in the Fall 2014, as compared to Fall 2013. The decline in transfer students is the chief reason university enrollment did not increase.

We are pleased that the large beginning freshman class of 2013 replicated for the Fall 2014, and we are confident in this trend. Additional resources are being allocated to address transfer students and distance education courses. Moving forward, we expect to see a growth in enrollment given three broad conditions:

1. The trend of large beginning freshman classes continues.
2. The smaller beginning freshman classes through the Fall 2012 will continue to move through the classification levels.
3. Additional resources and effort dedicated to transfer and distance education enrollment.

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Exhibit I
Comparative Statement of Net Position
August 31

		ASSETS	
		2014	2013 <u>Restated</u>
Current Assets:			
<u>Cash and Cash Equivalents:</u>			
Cash on Hand	\$	16,300.00	\$ 16,300.00
Cash in Bank		8,310,466.68	3,596,414.58
Cash in State Treasury		4,394,330.56	4,508,478.78
Short-term Investments		9,990,287.80	23,061,587.32
State Appropriations		2,233,497.01	970,442.50
<u>Restricted:</u>			
Cash and Cash Equivalents:			
Cash in Bank		(5,514,471.50)	(135,942.49)
Notes and Loans Receivable		10,097.79	4,441.39
<u>Net Receivables:</u>			
Student Receivables		8,190,492.17	6,186,514.12
Federal Receivables		241,709.18	133,953.56 *
Other Intergovernmental Receivables		0.99	0.99
Interest and Dividends		41,022.14	39,288.89
Other Receivables		1,473,851.24	1,534,296.98
Pledges Receivable		2,146,500.55	2,895,644.33
Consumable Inventories		237,954.62	266,415.82
Prepaid Expenses		9,385,663.43	8,619,228.87 *
Total Current Assets		<u>41,157,702.66</u>	<u>51,697,065.64</u>
Noncurrent Assets:			
<u>Restricted:</u>			
Short-term Investments		(35,068.37)	
Investments		7,042,125.19	5,018,972.21
Loans and Contracts		48,219.30	63,973.49
Other Long-term Investments		40,495,803.59	23,317,809.04
Pledges Receivable		840,892.67	1,383,332.00
Deferred Financing Costs		1,045,273.87	1,100,295.21
<u>Capital Assets, Non-depreciable:</u>			
Land and Land Improvements	\$	5,919,952.66	\$ 5,434,952.66
Construction in Progress		479,967.98	842,447.77
Other Capital Assets		3,533,965.30	3,549,965.30
<u>Capital Assets, Depreciable:</u>			
Buildings & Building Improvements	189,483,965.51		187,171,528.01
Less Accumulated Depreciation	(93,397,355.95)	96,086,609.56	(85,602,208.51)
Infrastructure	12,823,874.86		12,823,874.86
Less Accumulated Depreciation	(5,885,639.56)	6,938,235.30	(5,440,981.36)
Facilities and Other Improvements	7,341,589.58		7,227,418.61
Less Accumulated Depreciation	(4,313,001.82)	3,028,587.76	(3,972,930.76)
Furniture and Equipment	12,770,561.16		12,317,951.24
Less Accumulated Depreciation	(10,197,189.31)	2,573,371.85	(9,232,470.07)
Vehicles	1,966,127.79		1,718,379.79
Less Accumulated Depreciation	(1,007,847.06)	958,280.73	(903,263.74)
Other Capital Assets	11,842,415.92		11,844,556.91
Less Accumulated Depreciation	(10,161,577.84)	1,680,838.08	(10,040,140.97)
<u>Intangible Capital Assets, Amortizable:</u>			
Computer Software	10,730,009.48		2,165,668.83
Less Accumulated Amortization	(3,119,859.58)	7,610,149.90	(1,483,366.67)
Total Noncurrent Assets		<u>178,247,205.37</u>	<u>159,305,763.85</u>
Total Assets		<u>\$ 219,404,908.03</u>	<u>\$ 211,002,829.49</u>

Year Ended
8-31-2014
(UNAUDITED)

	LIABILITIES	
	2014	2013
		Restated
Current Liabilities:		
Accounts Payable	\$ 4,659,516.93	\$ 2,400,112.60
Accrued Payroll Payable	4,242,984.03	5,076,237.33
Employees' Compensable Leave	163,730.88	156,550.12
Room/Property Deposits	64,470.14	70,589.27
Unearned Revenues	26,003,261.97	23,937,153.67
Retainages and Contracts	7,447.14	27,554.00
Funds Held for Others	116,199.25	100,504.75
Capital Lease	74,460.92	20,576.95
Due to Other Agencies (SECO Loan)	261,551.13	256,384.84
Unamortized Discount on 2007 Rev Bonds	(12,344.13)	(12,344.13)
Unamortized Premium on 2008 Rev Bonds	86,456.53	69,903.20
Revenue Bonds Payable	4,215,000.00	4,055,000.00
Constitutional Appropriation Bonds		1,455,000.00
Total Current Liabilities	<u>39,882,734.79</u>	<u>37,613,222.60</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	1,454,626.85	1,309,974.92
Room/Property Deposits	190,095.40	192,147.78
Capital Lease		74,460.92
Due to Other Agencies (SECO Loan)	1,523,802.46	1,785,353.59
Unamortized Discount on 2007 Rev Bonds	(209,533.69)	(221,877.82)
Unamortized Premium on 2008 Rev Bonds	167,176.89	253,633.42
Revenue Bonds Payable	68,909,784.49	73,009,754.04
Total Noncurrent Liabilities	<u>72,035,952.40</u>	<u>76,403,446.85</u>
Total Liabilities	<u>111,918,687.19</u>	<u>114,016,669.45</u>
	NET POSITION	
Net Investment in Capital Assets	54,838,878.39	48,917,220.70
Restricted for:		
Debt Retirement		
Nonexpendable	4,375,727.45	4,071,779.08
Expendable:		
Capital Projects	1,842,365.98	4,558,695.81
Restricted by Contributor	12,880,943.23	10,605,445.99
Unrestricted	33,548,305.79	28,833,018.46
Total Net Position	<u>107,486,220.84</u>	<u>96,986,160.04</u>
Total Liabilities and Net Position	<u>\$ 219,404,908.03</u>	<u>\$ 211,002,829.49</u>

*Restated Federal Pell, SEOG, and TEACH grant revenues and expenditures to match award year, which resulted in restatements to related federal receivables and prepaid scholarships.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Midwestern State University

Unaudited

Midwestern State University
Exhibit II
Comparative Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of \$10,812,823.65 and \$9,889,867.16, respectively)	\$ 31,281,819.39	\$ 31,369,150.56
Federal Grants	533,422.28	701,779.95 *
Federal Pass-Through Grants	127,044.31	106,468.65
State Pass-Through Grants from Other State Agencies	3,552,864.18	3,113,927.27
Other Grants and Contracts	975,811.17	774,545.71
Sales and Services of Educational Activities	1,517,370.52	1,218,120.57
Sales and Services of Auxiliary Enterprises	9,165,772.35	8,511,928.88
Other Operating Revenue	1,413,256.24	1,544,533.19 *
Total Operating Revenues	48,567,360.44	47,340,454.78
Operating Expenses:		
Salaries and Wages	37,387,992.74	37,531,979.16
Payroll Related Costs	11,283,877.96	10,468,569.45
Professional Fees and Services	4,831,819.16	4,014,944.70
Travel	1,742,968.00	1,455,146.53
Materials and Supplies	5,894,134.71	5,441,691.94
Communications and Utilities	2,692,743.63	2,690,544.13
Repairs and Maintenance	4,651,994.95	2,507,546.87
Rentals and Leases	707,362.64	521,174.59
Printing and Reproduction	121,852.08	161,578.65
Depreciation and Amortization	11,717,162.53	9,995,431.04
Bad Debt Expense	324,984.94	454,862.25
Interest	1,331.88	1,756.05
Scholarships	10,457,932.61	9,662,749.55 *
Total Operating Expenses	91,816,157.83	84,907,974.91
Operating Loss	(43,248,797.39)	(37,567,520.13)
Nonoperating Revenues (Expenses):		
State Appropriations	17,039,451.35	16,619,208.00
Additional State Appropriations	4,901,343.38	4,535,980.58
Federal Grants	8,316,438.01	8,014,771.20 *
Federal Pass-Through Grants	2,000.00	
State Pass-Through Grants from Other State Agencies	270,071.00	
Gifts	7,380,693.44	8,829,212.02
Insurance Recovery in Subsequent Year	1,795,531.14	
Other Nonoperating revenues (expenses)	(15,357.50)	5,543.41
Investment Income	1,618,380.81	684,673.14
Net Increase (Decrease) in Fair Value of Investments	3,434,194.59	567,653.01
Net Book Value of Capital Asset Disposals	(134,005.13)	(385,589.60)
Interest Expense on Capital Asset Financing	(3,247,235.29)	(3,701,517.09)
Total Nonoperating Revenues (Expenses)	41,361,505.80	35,169,934.67
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,887,291.59)	(2,397,585.46)

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Year Ended
8-31-2014
(UNAUDITED)

	<u>2014</u>	<u>2013</u>
		<u>Restated</u>
Capital Contributions	\$ 9,268,395.65	\$ 755,000.00
HEAF Appropriation	3,559,433.00	3,559,433.00
Additions to Endowments	337,110.60	165,595.50
Transfers In	0.99	1,747.95
Transfers Out	<u>(777,587.85)</u>	<u>(945,166.41)</u>
Increase (Decrease) in Net Position	10,500,060.80	1,139,024.58
Net Position, Beginning of Year	97,003,660.04	95,864,635.46
Restatements	(17,500.00)	
Net Position, Beginning of Year, Restated	96,986,160.04	
Net Position, End of Year	<u>\$ 107,486,220.84</u>	<u>\$ 97,003,660.04</u>

*Restated Federal Pell, SEOG, and TEACH grant revenues and expenditures to match award year. Also restated Pell administrative overhead from federal non-operating grants to other operating income.

Midwestern State University

Unaudited

Midwestern State University Matrix of Operating Expenses Reported by Function For the Year Ended August 31, 2014

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	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$37,387,992.74	\$20,166,741.61	\$ 228,652.51	\$ 342,417.95	\$2,771,908.72
Payroll Related Costs	11,283,877.96	5,947,866.86	31,101.78	82,880.69	830,341.46
Professional Fees and Services	4,831,819.16	627,247.01	13,247.32	146,929.74	1,056,339.70
Travel	1,742,968.00	623,492.94	70,913.08	23,706.88	211,252.28
Materials and Supplies	5,894,134.71	684,093.69	119,634.12	183,435.97	451,414.66
Communications and Utilities	2,692,743.63	57,532.72	1,644.04	2,680.67	19,780.87
Repairs and Maintenance	4,651,994.95	169,342.25	7,269.89	40,838.49	445,839.52
Rentals and Leases	707,362.64	194,259.41	531.75	7,786.08	39,264.05
Printing and Reproduction	121,852.08	46,075.36	6,948.03	9,493.46	31,985.02
Depreciation and Amortization	11,717,162.53				
Bad Debt Expense	324,984.94				
Interest	1,331.88	0.77	23.55	7.36	108.48
Scholarships	10,457,932.61				
Total Operating Expenses	\$91,816,157.83	\$28,516,652.62	\$479,966.07	\$ 840,177.29	\$5,858,234.76

Midwestern State University Matrix of Operating Expenses Reported by Function For the Year Ended August 31, 2013

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	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$37,531,979.16	\$19,785,103.62	\$ 351,300.66	\$ 309,841.77	\$2,843,606.03
Payroll Related Costs	10,468,569.45	5,422,152.23	21,194.22	62,265.22	761,603.72
Professional Fees and Services	4,014,944.70	665,219.17	20,155.97	58,656.42	1,037,007.23
Travel	1,455,146.53	437,240.55	83,991.12	17,166.16	144,019.07
Materials and Supplies	5,441,691.94	709,196.50	61,873.41	142,074.21	670,255.43
Communications and Utilities	2,690,544.13	64,178.54	601.45	2,395.30	17,481.13
Repairs and Maintenance	2,507,546.87	129,021.75	276.90	31,745.53	210,652.55
Rentals and Leases	521,174.59	126,686.78	9,185.34	81,274.17	38,617.13
Printing and Reproduction	161,578.65	47,436.15	2,145.41	11,644.78	62,226.44
Depreciation and Amortization	9,995,431.04				
Bad Debt Expense	454,862.25				
Interest	1,756.05	24.33	15.52		559.71
Scholarships	9,662,749.55				
Total Operating Expenses	\$84,907,974.91	\$27,386,259.62	\$550,740.00	\$ 717,063.56	\$5,786,028.44

Year
Ended
8-31-2014
(UNAUDITED)

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation & Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,349,215.24	\$ 4,811,183.51	\$ 2,288,713.45		\$1,429,159.75	
1,602,525.84	1,379,752.49	1,030,015.06		379,393.78	
2,029,849.66	(55,441.87)	410,251.16		603,396.44	
653,332.13	128,767.13	5,026.53		26,477.03	
954,138.66	732,267.60	646,128.03		2,123,021.98	
186,991.77	(16,816.20)	1,622,949.68		817,980.08	
205,694.73	713,975.83	2,623,065.51		445,968.73	
220,248.68	42,841.21	9,481.80		192,949.66	
109,041.75	(109,480.91)	1,416.61		26,372.76	
					\$11,717,162.53
324,984.94					
593.51	210.63	58.28		329.30	
			\$10,457,932.61		
<u>\$ 11,636,616.91</u>	<u>\$ 7,627,259.42</u>	<u>\$ 8,637,106.11</u>	<u>\$10,457,932.61</u>	<u>\$ 6,045,049.51</u>	<u>\$11,717,162.53</u>

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation & Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,404,269.19	\$ 4,874,740.09	\$ 2,482,754.57		\$1,480,363.23	
1,448,571.75	1,392,658.34	992,302.07		367,821.90	
1,387,969.09	(82,345.66)	335,636.18		592,646.30	
653,136.76	97,446.36	4,419.38		17,727.13	
1,116,841.98	543,381.69	476,305.94		1,721,762.78	
170,312.80	(38,942.97)	1,625,511.12		849,006.76	
255,506.36	589,759.25	1,024,117.94		266,466.59	
206,345.76	58,193.63	8,554.17		(7,682.39)	
107,577.91	(81,151.72)	1,647.31		10,052.37	
					\$ 9,995,431.04
454,862.25					
393.98	194.28	427.03		141.20	
			\$ 9,662,749.55		
<u>\$ 11,205,787.83</u>	<u>\$ 7,353,933.29</u>	<u>\$ 6,951,675.71</u>	<u>\$ 9,662,749.55</u>	<u>\$ 5,298,305.87</u>	<u>\$ 9,995,431.04</u>

Midwestern State University

Unaudited

Midwestern State University
Exhibit III
Statement of Cash Flows
For the Years Ended August 31

ANNUAL FINANCIAL REPORT

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Cash Flows from Operating Activities:		
Proceeds Received from Students	\$ 29,878,822.90	\$30,458,616.63
Proceeds Received for Sponsored Programs	5,869,550.43	4,718,775.93 *
Proceeds Received from Auxiliary Enterprises	9,608,124.78	9,059,166.39
Proceeds From Loan Programs	21,581.05	11,673.24
Proceeds From Other Revenues	2,930,626.76	2,762,653.76 *
Payments to Employees	(49,353,291.31)	(46,958,171.04)
Payments to Suppliers for Good and Services	(18,069,694.97)	(16,545,277.74)
Payments for Scholarships	(11,246,773.18)	(10,375,141.44) *
Payments for Interest	(1,331.88)	(1,756.05)
Net Cash Provided (Used) by Operating Activities	<u>(30,362,385.42)</u>	<u>(26,869,460.32)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	20,677,740.22	21,415,605.54
Proceeds from Endowment Gifts	337,110.60	165,595.50
Proceeds from Gifts	7,888,402.18	8,294,035.06
Proceeds (Payments) from Other Noncapital Financing Activities	1,780,173.64	5,543.41
Proceeds from Nonoperating Grants	8,588,509.01	8,014,771.20 *
Transfers in from Other Funds	0.99	
Transfers out to Other Funds	(777,587.85)	(945,166.41)
Net Cash Provided by Noncapital Financing Activities	<u>38,494,348.79</u>	<u>36,950,384.30</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Capital Gifts	736,294.33	(262,816.00)
Proceeds from HEAF Appropriations	3,559,433.00	3,559,433.00
Proceeds From Interest on Capital Investments	1,067.90	935.32
Payments for Additions to Capital Assets	(3,165,204.23)	(3,745,696.45)
Principal Paid on Capital Related Debt	(5,729,490.41)	(5,019,930.97)
Interest Paid on Capital Related Debt	(3,256,200.44)	(3,763,895.89)
Net Cash Provided by Capital and Related Financing Activities	<u>(7,854,099.85)</u>	<u>(9,231,970.99)</u>
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	3,049,572.56	229,912.45
Proceeds from Sales and Maturities of Investments	39,835,240.97	8,806,693.55
Payments to Acquire Investments	(43,941,302.18)	(8,736,910.32)
Net Cash Provided (Used) by Investing Activities	<u>(1,056,488.65)</u>	<u>299,695.68</u>
Increase (Decrease) in Cash and Cash Equivalents	(778,625.13)	1,148,648.67
Cash and Cash Equivalents, September 1, 2013	<u>7,985,250.87</u>	<u>6,836,602.20</u>
Cash and Cash Equivalents, August 31, 2014	<u>\$ 7,206,625.74</u>	<u>\$ 7,985,250.87</u>

Year Ended
8-31-2014
(UNAUDITED)

	<u>2014</u>	<u>2013</u> <u>Restated</u>
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Position:		
Current Assets:		
Cash On Hand	\$ 16,300.00	\$ 16,300.00
Cash In Bank	8,310,466.68	3,596,414.58
Cash in State Treasury	4,394,330.56	4,508,478.78
Restricted:		
Cash In Bank	<u>(5,514,471.50)</u>	<u>(135,942.49)</u>
	<u>\$ 7,206,625.74</u>	<u>\$ 7,985,250.87</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$(43,248,797.39)	\$(37,567,520.13)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	11,717,162.53	9,995,431.04
Bad Debt Expense	324,984.94	454,862.25
Donations of Non-Capital Assets	241,435.04	
(Increase) Decrease in Receivables	(2,319,106.42)	(1,278,207.71)
(Increase) Decrease in Inventories	28,461.20	(9,408.41)
(Increase) Decrease in Prepaid Expenses	(796,363.56)	(734,649.51)
(Increase) Decrease in Loans	(5,656.40)	12,602.90
Increase (Decrease) in Payables	1,461,859.15	1,354,061.40
Increase (Decrease) in Unearned Revenues	2,066,108.30	936,035.98
Increase (Decrease) in Other Liabilities	<u>167,527.19</u>	<u>(32,668.13)</u>
Total Adjustments	12,886,411.97	10,698,059.81
Net Cash Used by Operating Activities	<u>\$(30,362,385.42)</u>	<u>\$(26,869,460.32)</u>
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 2,003,533.71	\$ 567,653.01
(Loss) Gain on Asset Disposals	(134,005.13)	(385,589.60)
Nonmonetary Gifts, Including Capital Assets	9,315,975.69	745,000.00
Transfer In on Master Lease Purchase		1,747.95

*Restated Federal Pell, SEOG, and TEACH grant revenues and expenditures to match award year. Also restated Pell administrative overhead from federal non-operating revenues to other operating revenues, which resulted in changes to cash flows previously reported for sponsored programs and related payments for scholarships.

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 1: Summary of Significant Accounting Policies

Introduction

Midwestern State University is a public institution of higher education and is an agency of the State of Texas. The university's Board of Regents is appointed by the Governor of the State. Accordingly, the university's financial position is in the State of Texas' Consolidated Annual Financial Report. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

Basis of Presentation

The financial statements of Midwestern State University have been prepared in accordance with the requirements established by the Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities* issued in November 1999, and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued in June 2011. The financial statements also incorporate the requirements set forth in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued by the GASB on December 30, 2010 and significantly reduces the need to rely on sources outside of the GASB's literature to locate the necessary accounting guidance for the governmental environment. The university does not apply FASB pronouncements issued after November 30, 1989 in the preparation of the accompanying financial statements.

The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas' Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

The university follows the "business-type activities" reporting requirement of GASB Statement No. 34 that provides a comprehensive one-line look at the university's financial activities. Accordingly, the university's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

Basis of Accounting – Proprietary Fund Accounting

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial positions, and cash flows. The financial statements of the university have been prepared on the accrual basis. Accrual accounting attempts to record a transaction's financial effects in the period in which the transaction occurred, rather than when cash is received or paid. Revenues are recorded when they are earned or when the university has a right to receive the revenues. Expenses are recognized when they are incurred.

There are four essential elements of accrual accounting. They are:

- Deferral of expenditures and the subsequent amortization of the deferred costs.
- Deferral of revenues until they are earned.
- Capitalization of certain expenses and the subsequent depreciation of the capitalized costs.
- The accruals of revenues that have been earned and expenses that have been incurred.

Midwestern State University

Notes To The Financial Statements - Unaudited

Proprietary funds use the flow of economic resources measurement focus, which is similar to the focus used by commercial entities. Proprietary funds focus on whether the enterprise is economically better off as a result of the events and transactions that occurred during the fiscal period reported. Transactions and events that improved an enterprise's financial position are reported as revenues or gains. Transactions and events that diminished the economic position of the enterprise are reported as expenses or losses. Both current and long-term assets and liabilities are shown on the statement of net position.

The proprietary statement of revenues, expenses, and changes in net position is segregated into operating and non-operating sections.

Generally, operating activities are those that directly result from the provision of goods and services to customers or are directly related to the principal and usual activity of an enterprise. GASB 34 indicates that a consideration for defining a proprietary fund's operating revenues and expenditures is how individual transactions would be classified for purposes of preparing a statement of cash flows according to GASB Statement No. 9.

Since certain grants are actually contracts for services, they are classified as operating activities. Although loan activity would normally be classified as an investing activity, lending activities in a university are directly related to the principal and usual activity of the university, and are classified as operating activities.

Net Position

GASB Statement No. 63 reports equity as "Net Position" rather than "Net Assets," as previously required under GASB Statement No. 34. Net position is classified according to external donor restrictions or availability of assets for satisfaction of university obligations.

Restricted Net Position represents amounts over which third parties have imposed restrictions that cannot be changed by the Board, including amounts that the Board has agreed to set aside under contractual agreements with third parties. Nonexpendable restricted net position includes gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net position represents funds that have been gifted for specific purposes. Restricted Net Position includes the university's permanent endowments and donor restricted funds.

Unrestricted Net Position are funds that are available for university use, and have been internally designated or reserved for specific purposes such as renewals and replacements, quasi-endowments, capital projects, student loans, budget commitments, and reserves for working capital.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash and cash equivalents. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes.

Investments

The university reports investments at fair value in the Statement of Net Position.

Restricted Assets

Restricted assets are those assets that have third party restrictions or are restricted for specific uses by a contractual obligation. Restricted assets include donor restricted funds and proceeds from bond issuances that can only be used for capital projects.

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Midwestern State University

Notes To The Financial Statements - Unaudited

Note 1: Continued

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost and utilize the last-in, first-out method.

Capital Assets

Property, plant and equipment are recorded at cost, or, if acquired by gift, at the fair market value as of the date of the acquisition. Depreciation is provided on physical properties on a straight-line basis over the estimated useful life of the asset.

Type of Capital Asset	Capitalization Threshold	Range of Useful Life (in months)
Land and Land Improvements	\$0	0
Construction in Progress	\$0	0
Buildings and Building Improvements	\$100,000	120-360
Infrastructure, Depreciable	\$500,000	120-540
Infrastructure, Non-Depreciable	\$0	0
Facilities and Other Improvements	\$100,000	120-720
Furniture and Equipment	\$5,000	36-180
Vehicles, Boats, and Aircraft	\$5,000	60-120
Other Capital Assets	\$100,000	0-180

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the notes thereto.

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Midwestern State University

Notes To The Financial Statements - Unaudited

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2014, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/13	Adjustment	Reclassifications Completed CIP
<u>Non-depreciable or Non-Amortizable Assets:</u>			
Land and Land Improvements	\$ 5,434,952.66		
Construction in Progress	859,947.77	\$(17,500.00)	\$ (2,319,078.47)
Other Tangible Capital Assets	3,549,965.30		
Total Non-depreciable Assets or Non-Amortizable Assets:	<u>9,844,865.73</u>	<u>(17,500.00)</u>	<u>(2,319,078.47)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	187,171,528.01		2,204,907.50
Infrastructure	12,823,874.86		
Facilities and Other Improvements	7,227,418.61		114,170.97
Furniture and Equipment	12,317,951.24		
Vehicles	1,718,379.79		
Other Capital Assets	11,844,556.91		
Total Depreciable Assets:	<u>233,103,709.42</u>	<u>0.00</u>	<u>2,319,078.47</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(85,602,208.51)		
Infrastructure	(5,440,981.36)		
Facilities and Other Improvements	(3,972,930.76)		
Furniture and Equipment	(9,232,470.07)		
Vehicles	(903,263.74)		
Other Capital Assets	(10,040,140.97)		
Total Accumulated Depreciation	<u>(115,191,995.41)</u>		
Depreciable Assets, Net	<u>117,911,714.01</u>	<u>0.00</u>	<u>2,319,078.47</u>
<u>Amortizable Assets - Intangible</u>			
Computer Software	2,165,668.83		
Total Amortizable Assets - Intangible	2,165,668.83	0.00	0.00
Less Accumulated Amortization for:			
Computer Software	(1,483,366.67)		
Total Accumulated Amortization	<u>(1,483,366.67)</u>	<u>0.00</u>	<u>0.00</u>
Amortizable Assets - Intangible, Net	<u>682,302.16</u>	<u>0.00</u>	<u>0.00</u>
Business-Type Activities Capital Assets, Net	<u>\$128,438,881.90</u>	<u>\$(17,500.00)</u>	<u>\$ 0.00</u>

Additions	Deletions	Balance 08/31/14
\$ 485,000.00		\$ 5,919,952.66
1,956,598.68		479,967.98
<u>2,441,598.68</u>	\$ (16,000.00)	<u>3,533,965.30</u>
<u>2,441,598.68</u>	<u>(16,000.00)</u>	<u>9,933,885.94</u>
107,530.00		189,483,965.51
		12,823,874.86
		7,341,589.58
522,283.60	(69,673.68)	12,770,561.16
297,218.00	(49,470.00)	1,966,127.79
189,398.96	(191,539.95)	11,842,415.92
<u>1,116,430.56</u>	<u>(310,683.63)</u>	<u>236,228,534.82</u>
(7,795,147.44)		(93,397,355.95)
(444,658.20)		(5,885,639.56)
(340,071.06)		(4,313,001.82)
(1,033,762.78)	69,043.54	(10,197,189.31)
(154,053.32)	49,470.00	(1,007,847.06)
(312,976.82)	191,539.95	(10,161,577.84)
<u>(10,080,669.62)</u>	<u>310,053.49</u>	<u>(124,962,611.54)</u>
<u>(8,964,239.06)</u>	<u>(630.14)</u>	<u>111,265,923.28</u>
8,564,340.65		10,730,009.48
8,564,340.65	0.00	10,730,009.48
<u>(1,636,492.91)</u>		<u>(3,119,859.58)</u>
<u>(1,636,492.91)</u>	<u>0.00</u>	<u>(3,119,859.58)</u>
<u>6,927,847.74</u>	<u>0.00</u>	<u>7,610,149.90</u>
<u>\$ 405,207.36</u>	<u>\$ (16,630.14)</u>	<u>\$128,809,959.12</u>

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Deposits, Investments and Repurchase Agreements

Authorized Investments

Midwestern State University is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Governmental Code). Such investments include:

1. Obligations of the United States or its agencies,
2. Direct obligations of the State of Texas or its agencies,
3. Obligations of political subdivisions rated not less than A by a national investment rating firm,
4. Certificates of deposit,
5. Investment pools managed by State of Texas universities exempt from this act (see additional disclosures), and
6. Other instruments and obligations authorized by statute.

The university also employs two investment managers to manage the assets of the university's endowments which total \$20,614,134.10 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets. Additionally, the university entered into a contract with the Texas A&M University System in September 2013 to manage university investments. The fair value of the investments managed by the Texas A&M University System at August 31, 2014 was \$20,885,258.26. Additional information about these investments is disclosed separately on pages 30-33.

Deposits of Cash in Bank

At August 31, the carrying amount of the university's deposits is presented below:

	<u>2014</u>	<u>2013</u>
Cash on Hand	\$ 16,300.00	\$ 16,300.00
Cash in Bank	2,795,995.18	3,460,472.09
Cash in State Treasury	4,394,330.56	4,508,478.78
Total Cash and Cash Equivalents	<u>\$ 7,206,625.74</u>	<u>\$ 7,985,250.87</u>
Current Assets—Cash and Cash Equivalents		
Cash on Hand	\$ 16,300.00	\$ 16,300.00
Cash in Bank	8,310,466.68	3,596,414.58
Cash in State Treasury	4,394,330.56	4,508,478.78
Current Assets—Restricted Cash and Cash Equivalents		
Cash in Bank	<u>(5,514,471.50)</u>	<u>(135,942.49)</u>
Total Cash and Cash Equivalents	<u>\$ 7,206,625.74</u>	<u>\$ 7,985,250.87</u>

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the university will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The university's policies and State Statute require the university's deposits be deposited into authorized commercial banks and savings and loan associations. State statutes also require that these financial institutions pledge securities as collateral to secure university deposits if they are not fully insured by FDIC.

The university's bank balance at August 31, 2014 was \$4,180,898.04. \$250,000 of this amount was covered by FDIC Insurance, and \$3,899,446.60 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Federal Reserve Bank of New York acting as Custodian for the university and the bank (as defined above).

Midwestern State University

Notes To The Financial Statements - Unaudited

Investments

At August 31, the fair value of the university's investments is presented below:

	<u>2014</u>	<u>2013</u>
U.S. Government Agency Obligations	\$5,994,155.58	\$ 7,622,325.50
Corporate Bonds	2,093,482.10	2,103,117.25
Municipal Bonds		278,532.00
Equities	14,426,387.89	15,426,042.36
Other Fixed Income Mutual Funds	3,518,790.73	
Other Commingled Funds—Texas A&M System Investment Pool*	20,885,258.26	
Other Commingled Funds - Texpocl	3,001,080.35	8,093,228.96
Other Commingled Funds - LOGIC	6,001,425.05	3,489,600.50
Other Commingled Funds - Goldman Sachs	400,271.49	115,680.23
Other Commingled Funds - Citibank		2,086,041.21
Certificates of Deposit - First National Bank		6,293,978.30
Certificates of Deposit - First United Bank		2,014,039.80
Other Certificates of Deposit	490,000.00	490,000.00
Money Market - JP Morgan Chase	10,662.41	1,006,475.14
Money Market—First United Bank		2,001,939.26
Other Money Market funds	51,049.11	52,859.26
Alternative Investments (including hedge funds)	620,585.24	324,508.80
Total Investments	<u>\$57,493,148.21</u>	<u>\$51,398,368.57</u>
Current Assets—Short-Term Investments	\$ 9,990,287.80	\$23,061,587.32
Non-Current Assets—Restricted Short Term Investments	(35,068.37)	660,516.81
Non-Current Assets—Restricted Investments	7,042,125.19	4,358,455.40
Non-Current Assets—Other Long Term Investments	40,495,803.59	23,317,809.04
Total Investments	<u>\$57,493,148.21</u>	<u>\$51,398,368.57</u>

*See additional disclosures on pages 30-33 for investments managed by the Texas A&M University System.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2014, the university's credit quality distribution for securities with credit risk exposure was as follows:

Investment Type	AAA	AA	A	BBB
U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	\$5,994,155.58			
Corporate Bonds			\$ 1,278,994.20	\$ 814,487.90
Comingled Funds—Texpool & LOGIC	9,002,505.40			
Investment Type	BB	B	Collateralized	Not Rated
Other Comingled Funds—Goldman Sachs				\$ 400,271.49
Certificates of Deposit—Other			\$490,000.00	
Money Market—JP Morgan			10,662.41	
Other Fixed Income Mutual Funds				3,518,790.73
Other Money Market				51,049.11
Equities				14,426,387.89
Alternative Investments (including hedge funds)				620,585.24

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Continued

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2014, the university's concentration of credit risk is immaterial to any single issuer.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a debt investment to changes arising from movements in interest rates. Duration is the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weight. The duration of an instrument can be calculated by first multiplying the time until receipt of cash flow by the ratio of the present value of that cash flow to the instrument's total present value. The sum of these weighted time periods is the duration of the instrument. Modified duration estimates the sensitivity of the university's investments to changes in interest rates.

The university's investments exposed to interest rate risk as of August 31, 2014, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
U.S. Government Agency Obligations	\$ 5,994,155.58	3.98
Corporate Bonds	\$ 2,093,482.10	3.41

The Texas A&M University System—Investments for Midwestern State University

Investment Fair Value

U.S. Treasury Securities	\$ 1,024,834.46
U.S. Treasury Strips	37,103.34
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	975,037.17
Corporate Obligations	2,230,354.99
Corporate Asset and Mortgage Backed Securities	867,738.53
US Equity	4,080,676.93
International Obligations (Govt and Corp)	1,197,567.51
International Equity	2,001,205.28
International Other Commingled Funds (Equity)	2,505,140.76
Fixed Income Money Market and Bond Mutual Funds	307,104.15
Derivatives	731.02
Alternative Investments—Hedge Funds	4,608,379.84
Miscellaneous	
Political Subdivisions and other investments	5,262.39
Bank Loans	<u>1,044,121.89</u>
Total Investments	\$20,885,258.26
Net Accruals (interest, payables, pending purchases, pending sales, etc.)	<u>6,545.10</u>
Net Investments	\$20,891,803.36

Investments Exposed to Credit Risk

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>
U.S. Government Agency Obligations		\$975,037.17		
Corporate Obligations		41,620.22	\$ 372,417.20	\$1,310,588.96
Corporate Asset & Mortgage Backed Securities	\$132,888.39	104,756.96	121,642.94	16,882.84
International Obligations	179,530.33	218,801.33	301,054.91	335,126.13
Miscellaneous (municipals and bank loans)		5,262.39		

Midwestern State University

Notes To The Financial Statements - Unaudited

Investment Type	BB	B	CCC	Not Rated
Corporate Obligations	\$366,984.69	\$98,710.77	\$5,007.59	\$ 35,025.56
Corporate Asset & Mortgage Backed Securities	5,234.80	4,153.36	48,717.70	433,461.54
International Obligations	56,317.25	9,809.59		96,927.97
Miscellaneous (municipals and bank loans)				1,044,121.89
Fixed Income Money Market & Bond Mutual Fund				307,104.15

Investments Exposed to Foreign Currency Risk

Fund Type	GAAP Fund	Foreign Currency	International Obligation (Govt & Corp)	International Equity	International Other Commingled Funds (Equity)
05	9999	U.S. Dollar Denominated Foreign Securities	\$ 992,634.87	\$ 896,489.68	\$ 2,505,140.76
05	9999	Australian Dollar	57,306.77		
05	9999	British Pound	4,033.39	147,959.98	
05	9999	Canadian Dollar		50,229.38	
05	9999	Euro Currency Unit	35,780.56	306,148.30	
05	9999	Hong Kong Dollar		28,887.58	
05	9999	Japanese Yen		355,077.63	
05	9999	New Zealand	89,196.58		
05	9999	Norwegian Krone	18,615.34		
05	9999	Singapore Dollar		19,336.93	
05	9999	South African Rand		15,012.34	
05	9999	South Korean Won		11,438.10	
05	9999	Swedish Krona		18,584.60	
05	9999	Swiss Franc		142,038.96	
05	9999	Thailand Baht		10,001.80	
		TOTAL	\$ 1,197,567.51	\$2,001,205.28	\$2,505,140.76

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Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Continued

Investments Exposed to Interest Rate Risk

Investment Types	Effective Duration	Market Value
U.S. Treasury Securities	3.915	\$1,024,834.46
U.S. Treasury Strip	28.800	37,103.34
U.S. Government Agency Obligations		
Agencies and Other U.S. Government Obligations	3.633	86,883.39
CMO Government Agencies	4.040	12,181.57
U.S. Government Mortgages	2.338	875,972.21
Corporate Obligations		
Corporate and Other Credit	5.377	2,230,354.99
Corporate Asset and Mortgage Backed Securities		
CMBS and CMO Corporate	3.559	570,707.49
Asset Backed Securities	2.049	297,031.04
International Obligations	3.852	1,197,567.51
Miscellaneous		
Political subdivision	1.815	5,262.39
Bank Loans	0.100	1,044,121.89
Total Fair Value		\$7,382,020.28

Derivative Investing

Midwestern State University invests funds in The Texas A&M University System's (A&M System) investment pool, which includes investment derivatives in the form of forward currency exchange contracts used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. Additional information on these contracts can be found in the A&M System's financial statement note disclosures.

The table below summarizes MSU's share of the pending foreign exchange contacts as of August 31, 2014.

Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Australian Dollar	\$88,756.07	\$33,737.74	\$ 76.17	(501.35)
British Pound	4,169.83		45.73	
Euro	37,315.65		1,094.54	
Hong Kong Dollar	1,191.14			(0.02)
Japanese Yen	6,182.70	4,334.20	7.73	(15.32)
New Zealand Dollar	86,669.78		24.10	
South Korean Won		1,313.07		(0.56)
	\$224,285.17	\$39,385.01	\$1,248.27	\$(517.25)

Midwestern State University

Notes To The Financial Statements - Unaudited

Midwestern State University's share of the fair value of open foreign currency exchange contracts as of August 31, 2014 was \$731.02, which is included in the net increase (decrease) in fair value of investments on the statement of revenues, expenses, and changes in net position.

The gross counter party exposure related to MSU's share of these contracts as of August 31, 2014 is as follows:

Assets Notional	Liabilities Notional	Assets Fair Value	Liabilities Fair Value	Counterparty Rating
\$ 7,373.84	\$ 5,647.27	\$ (7.55)	\$ 0.61	A+
37,315.65			(1,094.54)	A+
179,595.68	33,737.74	76.17	431.53	AA-
<u>\$224,285.17</u>	<u>\$39,285.17</u>	<u>\$ 68.62</u>	<u>\$ (662.40)</u>	

Note 4: Short-Term Debt

Not Applicable

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2014, the following changes occurred in liabilities:

	Balance 09-01-13	Restatement	Additions	Reductions	Balance 08-31-14	Amounts Due Within One Year
Business-Type Activities						
Revenue Bonds Payable	\$77,064,754.04		\$115,030.45 *	\$4,055,000.00	\$73,124,784.49	\$4,215,000.00
Unamortized Premium on Revenue Bonds	323,536.62			69,903.20	253,633.42	86,456.53
Unamortized Discount on Revenue Bonds	(234,221.95)			(12,344.13)	(221,877.82)	(12,344.13)
Subtotal	<u>77,154,068.71</u>		<u>115,030.45</u>	<u>4,112,559.07</u>	<u>73,156,540.09</u>	<u>4,289,112.40</u>
General Obligation Bond Payable	1,455,000.00			1,455,000.00	0.00	
Compensable Leave	1,466,525.04		250,388.55	98,555.86	1,618,357.73	163,730.88
Capital Lease Obligations	95,037.87			20,576.95	74,460.92	
SECO Federal Revolving Loan	<u>2,041,738.43</u>			<u>256,384.84</u>	<u>1,785,353.59</u>	<u>261,551.13</u>
Total	<u>\$82,212,370.05</u>	<u>\$0.00</u>	<u>\$365,419.00</u>	<u>\$5,943,076.72</u>	<u>\$76,634,712.33</u>	<u>\$4,714,394.41</u>

*See Note 6

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 5: Continued

Employees' Compensable Leave

Benefit eligible staff and 12-month faculty members can earn annual leave from eight to twenty-one hours per month depending on the respective employee's years of state employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of hours up to 532 for those employees with thirty-five or more years of state service. A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, separation from State employment, or transfer to a position that no longer accrues vacation, provided the employee has had continuous employment with the State for six months. For proprietary fund types an expense and liability are recorded as the benefits accrue to the employee. The liability is determined through the summarization of each employee's annual leave balance multiplied by their respective salary rate. The estimated cumulative amount of this liability is \$1,618,357.73. The University made lump sum payments totaling \$98,555.86 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2014, and payments of \$290,694.00 for August 31, 2013. The large increase in the lump sum payments in 2013 was due to the voluntary separation program that was offered to qualifying state employees.

The University has an undetermined and unrecorded liability for employee's earned sick leave. Sick leave accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only when an employee is absent due to illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The University's policy is to recognize the cost of sick leave when paid. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A-Miscellaneous Bond Information, Schedule 2B-Changes in Bonded Indebtedness, Schedule 2C-Debt Service Requirements, Schedule 2D-Analysis of Funds Available for Debt Service, Schedule 2E-Defeased Bonds Outstanding and Schedule 2F-Early Extinguishment and Refunding. General information related to Revenue Financing System bonds is summarized below and on the following pages:

Revenue Financing System Revenue Bonds, Series 2002

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for campus improvements in heating, ventilating, and air conditioning systems; chilled water distribution; street drainage and paving; and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting
- Issued June 15, 2002
- \$8,965,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of revenue for debt service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- \$4,600,000 of this 2002 series was refunded in October 2012 (see Series 2012A)
- Changes in Debt: Principal paid during Fiscal Year—\$465,000.00; Outstanding at Year End—\$0.00.

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Notes To The Financial Statements - Unaudited

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Revenue and Refunding Bonds, Series 2003

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for improving, enlarging and/or equipping university residence halls, including fire safety improvements and other general modernization improvements, and advance refunding Building Revenue and Refunding Bonds, Series 1996
- Issued August 1, 2003
- \$13,180,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- \$4,945,000 of the 2003 Series was advance refunded in October 2012 (see Series 2012B)
- Changes in Debt: Principal paid during Fiscal Year—\$790,000.00; Outstanding at Year End—\$1,430,000.00.

Revenue and Refunding Bonds, Series 2007

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University.
- To pay for constructing, equipping and furnishing a student recreation and health facility; improving, renovating, enlarging and/or equipping Fowler Hall; improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum; and refunding a portion of the outstanding Revenue Refunding and Improvement Bonds, Series 1998
- Issued August 1, 2007
- \$28,855,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- The discount on the bonds is being amortized on a straight-line basis over the life of the debt.
- Source of Revenue for Debt Service – Pledged Revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$1,350,000.00; Outstanding at Year End—\$21,965,000.00.

Revenue Financing System Revenue Bonds, Series 2008

- Issued by the Texas public Finance Authority (TPFA) on behalf of the University. To pay for constructing, equipping, and furnishing an additional student housing facility; purchasing an existing student housing facility; improving, renovating, enlarging, and/or equipping D.L. Ligon Coliseum; constructing, equipping and furnishing an instrumental music facility
- Issued July 1, 2009
- \$38,300,136; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group, Higher Education Assistance Funds, student service fees, and private gifts in the Auxiliary Fund Group
- The Bonds are issued in part as current interest bonds, \$37,955,000, and in part as premium capital appreciation bonds, \$345,136
- Changes in Debt: Principal paid during Fiscal Year—\$1,095,000.00; Outstanding at Year End—\$33,839,784.49.

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

<u>Premium Capital Appreciation Bonds</u>		-	<u>Unamortized Premium on CAB</u>		-	<u>Combined Totals</u>
Beginning Principal Amount	(714,754.03)		Beginning Premium	(323,536.63)		(1,038,290.66)
Amortization Entries	FY14 (115,030.45)		Amortization Entries	FY14 69,903.20		(45,127.25)
Balance at Year End	(829,784.48)		Balance at Year End	(253,633.43)		(1,083,417.91)
Future Entries: FY15	(133,543.12)		Future Entries: FY15	86,456.54		(47,086.58)
FY16	(155,035.16)		FY16	105,902.49		(49,132.67)
FY17	(86,637.24)		FY17	61,274.40		(25,362.84)
	<u>(375,215.52)</u>			<u>253,633.43</u>		<u>(121,582.09)</u>
Maturity Value	(1,205,000.00)			0.00		(1,205,000.00)

Revenue Financing System Revenue Bonds, Series 2010

- Issued by the Texas public Finance Authority (TPFA) on behalf of the University. To pay for improving, renovating, enlarging, and/or equipping the University's existing D.L. Ligon Coliseum
- Issued April 1, 2010
- \$6,700,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of Unrestricted Current Funds Revenues, but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group, Higher Education Assistance Funds, student service fees, and private gifts in the Auxiliary Fund Group
- Changes in Debt: Principal paid during Fiscal Year—\$160,000.00; Outstanding at Year End—\$6,235,000.00.

Revenue Financing System Refunding Bonds, Series 2012A

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To finance the current refunding of \$4,600,000 of the MSU Building Revenue and Refunding Bonds, Series 2002, which were used to pay for campus improvements in heating, ventilating and air conditioning systems; chilled water distribution; street drainage and paving; and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting
- Issued September 15, 2012
- \$4,710,000; all bonds authorized have been issued
- Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- Changes in Debt: Principal paid during Fiscal Year—\$125,000.00; Outstanding at Year End—\$4,430,000.00.

Midwestern State University

Notes To The Financial Statements - Unaudited

Revenue Financing System Refunding Bonds, Series 2012B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To finance the advance refunding of \$4,945,000 of the MSU Building Revenue and Refunding Bonds, Series 2003, which were used to pay for improving, enlarging, and/or equipping university residence halls, including fire safety improvements and other general modernization improvements
- Issued September 15, 2012
- \$5,415,000; all bonds authorized have been issued
- Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- Changes in Debt: Principal paid during Fiscal Year—\$70,000.00; Outstanding at Year End—\$5,225,000.00.

General information related to the Constitutional Appropriation bond is summarized below:

Constitutional Appropriation Bond, Series 2004

- Issued by the Board of Regents of Midwestern State University. The proceeds of the Bonds are to be used to construct a Business Administration classroom building for use by students of the University
- Issued August 1, 2004
- \$11,185,000; all bonds authorized have been issued
- General Obligation Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Payable and secured solely from a first lien on and pledge of up to one-half of the annual appropriation for and on behalf of the University, from the State Treasury pursuant to the Constitutional Provision and “The Excellence in Higher Education Act”
- Changes in Debt: Principal paid during Fiscal Year—\$1,455,000.00; Outstanding at Year End—\$0.00.

Note 7: Derivative Instruments

Midwestern State University invests funds in The Texas A&M University System’s (A&M System) investment pool, which includes investment derivatives in the form of forward currency exchange contracts used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. Additional information on these contracts can be found in the A&M System’s financial statement note disclosures.

The following disclosure summarizes MSU’s share of the A&M System’s derivative activity. Note 3 also discloses details about these investment derivatives.

	Changes in Fair Value		Fair Value as of 8/31/2014		Notional Amount
	Classification	Amount	Classification	Amount	
Investment Derivatives					
Foreign Currency Forward	Investment Income	\$ 731.02	Investment	\$ 731.02	\$ 263,670.18

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Notes To The Financial Statements - Unaudited

Note 8: Leases

Midwestern State University has entered into a long-term lease for financing the purchase of a capital asset. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The following is the original capitalized cost of such property under lease in addition to the accumulated depreciation as of 8/31/14.

Business-Type Activities <u>Class of Property</u>	Year Ended August 31, 2014		
	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Vehicles	\$128,586.10	(\$62,582.08)	\$66,004.02

Future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$74,460.92	\$2,078.84	\$76,539.76
Total Minimum Lease Payments	\$74,460.92	\$2,078.84	\$76,539.76
Less: Amount Representing Interest at Various Rates			<u>2,078.84</u>
Present Value of Net Minimum Lease Payments			<u>\$74,460.92</u>

Operating Leases

Future minimum lease rental payments under non-cancellable operating leases having an initial term in excess of one year are as follows:

<u>Year</u>	<u>Total</u>
2015	143,112.90
2016	123,477.98
2017	106,143.90
2018	60,328.92
2019	<u>19,703.93</u>
Total Future Minimum Lease Payments	<u>\$452,767.63</u>

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Note 9: Pension Plans

Teacher Retirement System Pension Plan

The State of Texas has joint contributory retirement plans for substantially all of its benefit eligible employees. One of the primary plans in which the University participates is a cost-sharing multiple-employer defined benefit pension plan administered by the Teacher Retirement System of Texas. Participating employers in the TRS Plan include public schools, service centers, charter schools, and colleges as well as the State of Texas, which covers employees of colleges, universities, medical schools, and certain other state agencies. Employees of the University are members of the TRS Plan if they are employed on a half-time or greater basis, unless they participate in the Optional Retirement Program, described below, or are students employed in a position that requires student status as a condition of employment.

Benefits under the TRS Plan are established or amended by the Texas Legislature in state law, as provided by the Texas Government Code, Chapter 824. Benefits include retirement and disability annuities and death survivor benefits. A member is vested after earning five years of creditable service. Eligibility for service retirement is determined by age and years of TRS service credit. The Teacher Retirement System issues a comprehensive annual financial report that includes the TRS Plan. That report may be obtained by writing to TRS at the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698, or from the TRS Web site at www.trs.state.tx.us.

Contribution requirements for employees and employers are not actuarially determined but are established in the Texas Constitution and pursuant to state law passed by the Texas Legislature each biennium. The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year. For the year ended August 31, 2014, the statutorily required contribution rate was 6.4% of annual compensation from active plan members and 6.8% of annual compensation from the University.

The Teacher Retirement System does not separately account for each of its component government agencies because the Teacher Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in the Teacher Retirement System's annual financial report.

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Note 9: Continued

Optional Retirement Program

The state has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The ORP is authorized by the Texas Government Code, Chapter 830, and is administered by the University, subject to policies, practices, and procedures developed by the Texas Higher Education Coordinating Board to provide greater uniformity in the administration of the program. The ORP provides for the purchase of annuity contracts and mutual funds. The contributory percentages of participant salaries provided by the State and by each participant enrolled in the plan on or before August 31, 1995, are 8.5% and 6.65%, respectively. The 8.5% is composed of 6.6% contributed by the State and an additional 1.9% contributed by the University. For participants who enrolled after September 1, 1995, State and participant contributions are 6.6%, and 6.65%, respectively. Because there are individual annuity contracts, the State has no additional or unfunded liability for this program, and the University bears no responsibility for retirement commitments beyond contributions.

The contributions made to the ORP by the plan members and employer for the fiscal year ended August 31, 2014 compared to the previous year, are shown below:

	Year Ended August 31, 2014	Year Ended August 31, 2013
Member Contributions	\$1,092,969.35	\$1,078,889.68
Employer Contributions	1,205,946.26	1,148,237.73
Total Remittance	\$2,298,915.61	\$2,227,127.41

Note 10: Deferred Compensation

The university's Board of Regents approved a non-qualified deferred compensation plan which provided for \$3,750.00 per month to be set-aside for the President for twenty-four months beginning September 1, 2013 and ending August 31, 2015. The Board of Regents amended the monthly set-aside amount to \$5,125.00 beginning with the September 1, 2014 contribution.

University employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Texas Government Code, Sec 609.001. Deferred compensation plans are administered by the Employees Retirement System.

The State's 457 Plan complies with Internal Revenue Code, Section 457. This plan is referred to as the TexaSaver Deferred Compensation Plan and is available to all employees. Deductions, purchased investments, and earnings attributed to the 457 Plan are the property of the State and subject only to the claims of the State's general creditors. Participant rights under the plan are equal to those of the general creditors of the State in an amount equal to the fair market value of the 457 account for each participant. The State has no liability under the 457 Plan, and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

The University also administers a Tax-Deferred Account Program, created in accordance with Internal Revenue Code, Section 403(b). All eligible employees can participate. The Tax-Deferred Account Program is a private plan, and the deductions, purchased investments, and earnings attributed to each employee's 403(b) plan are held by vendors chosen by the employee. The vendors may be insurance companies, banks, or approved non-bank trustees such as mutual fund companies. The assets of this plan do not belong to the University, and thus it does not have a liability related to this plan.

Note 11: Postemployment Health Care and Life Insurance Benefits

Not Applicable.

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Notes To The Financial Statements - Unaudited

Note 12: Interfund Activity and Transactions

University transactions with other state agencies are as follows:

<u>Name of State Agency, Agency Number</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Purpose</u>
<u>Interfund Receivables and Payables—Current:</u>			
State Energy Conservation Office, 907			
D23 Fund 7999		<u>\$261,551.13</u>	SECO Federal Revolving Loan

Interfund Receivables and Payables—Non Current:

State Energy Conservation Office, 907			
D23 Fund 7999		<u>\$1,523,802.46</u>	SECO Federal Revolving Loan

<u>Name of State Agency, Agency Number</u>	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>	<u>Purpose</u>
<u>Due to Due From:</u>			
Texas Department of Transportation, 601			
D23 Fund 0802	\$ 0.99		Texas Collegiate License Plate Fund
Texas Tech University, 733			
D23 Fund 7999	<u>29,956.35</u>		Small Business Development Center
Total Due From/To	<u>\$ 29,957.34</u>		

	<u>Transfer In</u>	<u>Transfer Out</u>	
<u>Operating Transfers:</u>			
Texas Higher Education Coordinating Board, 781			
D23 Fund 2604		\$ 952.00	Dental Hygiene Degree or Certification Program
D23 Fund 5103		349,003.65	Texas B-On-Time Loan Program
Texas Public Finance Authority, 347			
D23 Fund 7999		427,631.21	Master Lease Purchase Payment
Midwestern State University, 735			
D23 Fund 0802	\$ 0.99		Texas Collegiate License Plate Interfund Transfer
D23 Fund 5015		\$ 0.99	Texas Collegiate License Plate Interfund Transfer
Total Transfers	<u>\$ 0.99</u>	<u>\$ 777,587.85</u>	

The detailed State Grant Pass-Through information is listed on Schedule 1B-Schedule of State Grant Pass-Through From/To State Agencies.

Note 13: Continuance Subject to Review

Not Applicable to colleges and universities (Texas Sunset Act).

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Notes To The Financial Statements - Unaudited

Note 14: Adjustments to Fund Balance/Net Position

In fiscal year 2013, items related to facilities were capitalized and moved to construction in progress based on the assumption that the total project costs would exceed the capitalization threshold of \$100,000. In fiscal year 2014, the project was postponed indefinitely. Therefore, an adjustment to fund balance was made to reflect the amount expensed in a prior year. The adjustment of \$17,500.00 was made to the fiscal year 2013 balances in Construction in Progress and Net Investment in Capital Assets. The adjustment is also reflected in Note 2, Capital Assets, within the adjustments column.

Note 15: Contingencies and Commitments

There is no pending or threatened litigation.

Note 16: Subsequent Events

Midwestern State University submitted a capital expenditure for consideration in the Legislative Appropriations Request for the 84th Texas Legislature. The \$73 million request includes the construction of a new Gunn College of Health Science and Human Services building, improvements to Moffett Library, the relocation of IT to a more secure building, and many electrical, HVAC and ADA upgrades and improvements.

The generous support from donors has allowed the university to continue current capital construction projects. Significant external improvements at the Wichita Falls Museum of Art at Midwestern State University have begun. The project includes improvements to surrounding parking lots and access to the museum, the addition of a terrace to the entryway, and construction of an outdoor stage overlooking Sikes Lake.

Additionally, Phase II of the Joe B. Hood Research Lab at Dalquest began in September. The Dalquest Research Station is located in west Texas on the Presidio/Brewster County line, north of and adjoining the Big Bend Ranch State Park. The majority of the site has little human influence. With the construction of the Joe B. Hood Research Lab, scientists, naturalists, educators, and students will be able to conduct field research for generations to come.

The West Campus Annex project began in late August. The project includes a renovation of a portion of the Christ Academy building. The renovation will allow the football administrative offices to relocate from various locations on campus to one central office.

Construction of the Mustangs Walk began in October. The Board of Regents approved a campus master plan in August 2014, and it indicated the need for a safer, more pedestrian-friendly campus. The Mustangs Walk will provide students a safe, pedestrian walkway through the middle corridor of campus with the goal of eventually connecting the main campus with south campus.

Finally, during its November meeting, the Board of Regents approved construction of a new 500-bed student dormitory at a cost of approximately \$33.25 million. The new housing facility will be located east of Sunwatcher Village and adjacent to McCullough-Trigg Hall. The Board of Regents also approved an approximately 18,500 square foot addition to the Fain Fine Arts building to accommodate the growth of the mass communications department. The addition will cost approximately \$5 million. Revenue bonds, once approved by the Board of Regents, will be issued in 2015 to fund both projects, at a cost not to exceed \$38.25 million.

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Note 17: Risk Management

The university is exposed to a variety of civil claims resulting from the performance of its duties. It is the university's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Currently there is no purchase of commercial general liability insurance for the university. The university participates in the statewide property insurance program and purchases educators legal liability insurance. The university also purchases Directors' and Officers' Liability insurance through the State Office of Risk Management. This coverage protects insured directors and officers against claims involving allegations of wrongful acts occurring while in their capacity as directors and officers. Coverage also extends to employees and includes Employment Practices Liability claims for harassment, discrimination, wrongful termination, retaliation, etc.

The university's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. At August 31, 2014, there were no known claim liabilities.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for university employees. The university was assessed \$75,710.50 and \$84,288.86 for worker's compensation coverage for fiscal years ending August 31, 2014 and 2013, respectively. Unemployment compensation is funded on a pay as you go method, with the State contributing half of the cost of benefits and the university contributing the other half for employees paid by State appropriated funds. The university must pay 100% of the cost of benefits for employees paid from local funds.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$30,000/\$60,000 bodily injury and \$25,000 property damage. However, the university has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000/\$500,000/\$100,000 with a combined single limit of \$1,000,000 if the Texas Tort Claims Act is not applicable.

Note 18: Management's Discussion and Analysis

See Introduction.

Note 19: The Financial Reporting Entity and Related Parties

The university is an agency of the State of Texas. The ten members of its Board of Regents are appointed by the Governor, and include one non-voting student Regent. The university has no component units, joint ventures, or related parties; however, there are two affiliated parties described below.

The Midwestern State University Foundation and MSU Charitable Trust are nonprofit organizations with the sole purpose of supporting the educational and other activities of the university. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$1,366,493 to the university during the year ended August 31, 2014, and \$1,474,951 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$812,134 to the university during the year ended August 31, 2014 and \$830,279 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2014 are reported by their trustees in the amount of \$23,350,954 and \$29,549,469, respectively.

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Midwestern State University

Notes To The Financial Statements - Unaudited

Note 20: Stewardship, Compliance and Accountability

Financial information is reported in accordance with the requirements established by GASB No. 34, GASB No. 35, and GASB No. 63. The university administration is not aware of any noncompliance items.

Note 21: Not Applicable to the AFR Reporting Requirements Process

Note 22: Donor Restricted Endowments

The university is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Property Code Chapter 163. UPMIFA allows the university to distribute net appreciation on donor restricted endowment investments to the extent prudent. This includes cumulative realized and unrealized appreciation in the fair market value of the endowment assets in excess of historical dollar value of the gifts.

For the fiscal year ended August 31, 2014, the net appreciation on investments of donor restricted endowments available for authorization of expenditure, after distributions, is as follows:

<u>Donor-Restricted Endowment</u>	<u>Amounts of Net Appreciation</u>	<u>Reported in Net Position</u>
True Endowments	None	Restricted for Nonexpendable
Term Endowments	\$ 1,067,569.19	Restricted for Nonexpendable
True Endowments	None	Restricted for Expendable

Note 23: Extraordinary and Special Items

Not Applicable.

Note 24: Disaggregation of Receivable and Payable Balances

Accounts Receivables

The components of Other Receivables, as reported in the Statement of Net Position, are as follows:

<u>Accounts Receivable Category</u>	<u>Current Amount</u>
3rd Party Contracts on Student Receivables	\$ 895,899.49
Non-Student Receivables from Other Agencies	351,258.33
Summer Camp Programs Receivable	80,720.75
Follett Bookstore Receivable	134,705.38
Employee Travel Advances	7,233.60
Payroll Advances and Receivables	500.18
Miscellaneous Receivables	3,533.51
Total	<u>\$1,473,851.24</u>

Of these amounts, there are no significant receivable balances that the university does not expect to collect within the next fiscal year.

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Note 25: Termination Benefits

Not Applicable.

Note 26: Segment Information

Not Applicable.

Note 27: Service Concession Arrangements

Not Applicable.

Note 28: Deferred Outflows of Resources and Deferred Inflows of Resources

Not Applicable.

Note 29: Troubled Debt Restructuring

Not Applicable.

Note 30: Non-Exchange Financial Guarantees

Not Applicable.

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Schedule 1A - Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014, with Comparative Totals for the Year Ended August 31, 2013

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	CFDA Number	ID #	Univ/ Agy #	Pass-Through From		
				Agency Amount	University Amount	Non State Entities Amount
<u>National Endowment for the Humanities</u>						
Promotion of the Humanities-Federal/State Partnership	45.129	HTX #2014-4531				\$ 5,126.0
Direct Program:						
Promotion of the Humanities-Public Programs	45.164					
Totals - National Endowment for the Humanities						5,126.0
<u>Small Business Administration</u>						
Pass-Through From:						
TTU-Small Business Development Center	59.037		733		\$121,918.31	
<u>U.S. Department of Education</u>						
Direct Program:						
Bilingual Education Professional Development	84.195					
Pass-Through From:						
Statewide Data Systems—THECB	84.372		781	\$2,000.00		
Totals - U.S. Department of Education				2,000.00		
<u>National Science Foundation</u>						
Mathematical and Physical Sciences:	47.049	DMS-0846477				
Student Financial Assistance Cluster						
<u>U.S. Department of Education</u>						
Direct Programs:						
Federal Supplemental Education Opportunity Grants	84.007					
Federal Work-Study Program	84.033					
Federal Pell Grant Program	84.063					
Federal Direct Student Loans	84.268					
Teacher Education Assistance for College & HE Grants (TEACH)	84.379					
Total Student Financial Assistance Cluster Programs						
TRIO Cluster						
<u>U.S. Department of Education</u>						
Direct Programs						
TRIO-Student Support Services	84.042					
Total Federal Financial Assistance				\$2,000.00	\$121,918.31	\$ 5,126.0

Year
Ended
8-31-2014
(UNAUDITED)

Direct Program	Total Pass-Through From & Direct Program	Pass-Through To		Expenditures	2014	2013
		Agency or Univ Amount	Non-State Entities Amount		Total PT To and Expenditures	Total PT To and Expenditures
	\$ 5,126.00			\$ 5,126.00	\$ 5,126.00	
\$ 1,500.00	1,500.00			1,500.00	1,500.00	
1,500.00	6,626.00			6,626.00	6,626.00	
	121,918.31			121,918.31	121,918.31	\$104,681.45
						118,997.37
	2,000.00			2,000.00	2,000.00	
	2,000.00			2,000.00	2,000.00	118,997.37
						1,787.20
142,948.00	142,948.00			142,948.00	142,948.00	167,162.00
96,630.89	96,630.89			96,630.89	96,630.89	98,515.67
8,316,438.01	8,316,438.01			8,316,438.01	8,316,438.01	8,014,771.20
27,610,488.00	27,610,488.00			27,610,488.00	27,610,488.00	27,952,158.00
81,301.00	81,301.00			81,301.00	81,301.00	112,382.77
36,247,805.90	36,247,805.90			36,247,805.90	36,247,805.90	36,344,989.64
211,042.39	211,042.39			211,042.39	211,042.39	204,722.14
\$36,460,348.29	\$36,589,392.60			\$36,589,392.60	\$36,589,392.60	\$36,775,177.80

Midwestern State University

Schedule 1A—Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2014

Note 1: Nonmonetary Assistance

Not Applicable

Note 2: Reconciliation

	<u>08/31/2014</u>
Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	\$ 533,422.28
Federal Grant Revenue - Non-Operating	8,316,438.01
Federal Pass-through Revenue-Operating	127,044.31
Federal Pass-through Revenue-Non-Operating	<u>2,000.00</u>
Total Federal Revenues	8,978,904.60
Reconciling Items: New Loans Processed	
Federal Perkins Loans Processed	
Federal Direct Student Loans Processed	<u>27,610,488.00</u>
	<u>\$36,589,392.60</u>

Note 3a: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balances of Previous Years' Loans
U.S. Department of Education				
84.038 Federal Perkins Loan Program				\$58,317.09
84.268 Federal Direct Student Loans Program	<u>\$27,610,488.00</u>	<u> </u>	<u>\$27,610,488.00</u>	<u> </u>
Total Department of Education	<u>\$27,610,488.00</u>	<u> </u>	<u>\$27,610,488.00</u>	<u>\$58,317.09</u>

Note 4: Depository Libraries for Government Publications

Midwestern State University participates in the Government Printing Office's Depository Libraries for Government Publications Program, CFDA #40.001. The university is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the Government Printing Office.

Note 5: Unemployment Insurance

Not Applicable

Note 6: Rebates from the Special Supplemental Food Program for Women, Infants, and Children (WIC)

Not Applicable

Note 7: Federal Deferred Revenue	Federal Deferred Revenue	Increase / (Decrease)	Federal Deferred Revenue
CFDA Number/Program Name	<u>09/01/13</u>	<u> </u>	<u>08/31/14</u>
None for the Year Ended August 31, 2014	<u> </u>	<u> </u>	<u> </u>

Midwestern State University

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Schedule 1B - Schedule of State Grant Pass Through From/To State Agencies For the Years Ended August 31

<u>Operating Revenue:</u>	<u>2014</u>	<u>2013</u>
Pass-Through From:		
UT System (Agy #720)	\$ 8,780.92	\$ 5,286.31
Texas Commission on the Arts (TCA—Agy #813)		
Arts Create	5,000.00	
Arts Respond	5,000.00	
Texas State Board of Public Accountancy (TSBPA—Agy #457)		
5th Year Accounting	3,500.00	
Texas Higher Education Coordinating Board (Agy #781)		
College Work Study Program	35,513.26	28,542.00
Engineering Recruitment Program	12,500.00	
Nursing & Allied Health		(33,324.04)
Professional Nursing Shortage Reduction Program	64,403.00	15,423.00
TEXAS Grant Program	3,331,667.00	2,870,000.00
Top 10% Scholarships	86,500.00	228,000.00
Total Operating Pass-Through Revenue (Exhibit II)	<u>\$ 3,552,864.18</u>	<u>\$ 3,113,927.27</u>
<u>Nonoperating Revenue:</u>		
Pass-Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
Hazlewood Exemption HB1025	\$ 270,071.00	
Total Nonoperating Pass-Through Revenue (Exhibit II)	<u>\$ 270,071.00</u>	
Pass Through To:		
None		

ANNUAL FINANCIAL REPORT

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Midwestern State University

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**Midwestern State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2014**

ANNUAL FINANCIAL REPORT

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
<u>General Obligation Bond:</u>					
Constitutional Appropriation Bonds: Series 2004	\$11,185,000.00	2.75% - 3.75%	2005	2013	None
<u>Revenue Bonds:</u>					
Revenue Financing System Revenue Bonds: Series 2002	8,965,000.00	4.00% - 5.00%	2003	2021	12-01-12
Building Revenue & Refunding Bonds: Series 2003	13,180,000.00	2.00% - 5.00%	2003	2024	12-01-13
Revenue and Refunding Bonds: Series 2007	28,855,000.00	4.00% - 4.625%	2008	2032	12-01-16
Revenue Financing System Revenue Bonds: Series 2008	38,415,166.55	3.00% - 5.25%	2008	2034	12-01-18
Revenue Financing System Revenue Bonds: Series 2010	6,700,000.00	4.00% - 5.00%	2012	2036	12-01-20
Revenue Financing System Refunding Bonds: Series 2012A	4,710,000.00	2.00% - 2.25%	2013	2020	12-01-20
Revenue Financing System Refunding Bonds: Series 2012B	5,415,000.00	0.50% - 3.25%	2013	2024	12-01-24
Total	<u>\$117,425,166.55</u>				

Midwestern State University

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Midwestern State University
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2014

ANNUAL FINANCIAL REPORT

Business Type Activities	Bonds Outstanding 09-01-2013	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2014	Amounts Due Within One Year
General Obligation Bonds:						
Constitutional Appropriation Bonds:						
Series 2004	\$1,455,000.00		\$1,455,000.00		\$ 0.00	
Revenue Bonds:						
Revenue Financing System Revenue Bonds:						
Series 2002	465,000.00		465,000.00		0.00	
Building Revenue and Refunding Bonds:						
Series 2003	2,220,000.00		790,000.00		1,430,000.00	830,000.00
Revenue and Refunding Bonds:						
Series 2007	23,315,000.00		1,350,000.00		21,965,000.00	1,400,000.00
Revenue Financing System Revenue Bonds:						
Series 2008	34,819,754.04	\$ 115,030.45 *	1,095,000.00		33,839,784.49	1,140,000.00
Revenue Financing System Revenue Bonds:						
Series 2010	6,395,000.00		160,000.00		6,235,000.00	170,000.00
Revenue Financing System Refunding Bonds:						
Series 2012A	4,555,000.00		125,000.00		4,430,000.00	605,000.00
Revenue Financing System Refunding Bonds:						
Series 2012B	5,295,000.00		70,000.00		5,225,000.00	70,000.00
Total	\$78,519,754.04	\$ 115,030.45	\$5,510,000.00	\$ 0.00	\$73,124,784.49	\$4,215,000.00

Year Ended
8-31-2014
(UNAUDITED)

*Accretion on Capital Appreciation Bonds

<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Unamortized Gain (Loss) On Refunding</u>	<u>Net Bonds Outstanding 08-31-2014</u>	<u>Amounts Due Within One Year</u>
			\$ 0.00	
			0.00	
			1,430,000.00	
	\$(221,877.82)		21,743,122.18	\$(12,344.13)
\$ 253,633.42			34,093,417.91	86,456.53
			6,235,000.00	
			4,430,000.00	
			5,225,000.00	
<u>\$ 253,633.42</u>	<u>\$(221,877.82)</u>		<u>\$73,156,540.09</u>	<u>\$ 74,112.40</u>

Midwestern State University

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Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2014

Business Type Activities

Description of Issue	2015	2016	2017	2018	2019
Revenue Bonds:					
Revenue Financing System Revenue Bonds:					
Series 2003					
Principal	\$830,000.00	\$ 600,000.00			
Interest	47,887.50	13,050.00			
Revenue Financing System Revenue and Refunding Bonds:					
Series 2007					
Principal	1,400,000.00	1,455,000.00	\$1,515,000.00	\$1,580,000.00	\$1,640,000.00
Interest	924,932.50	866,013.75	804,795.00	742,895.00	677,470.00
Revenue Financing System Revenue Bonds:					
Series 2008					
Principal	1,140,000.00	1,180,000.00	1,205,000.00	1,230,000.00	1,285,000.00
Interest	1,523,257.50	1,476,857.50	2,313,121.40	1,428,657.50	1,378,357.50
Revenue Financing System Revenue Bonds:					
Series 2010					
Principal	170,000.00	180,000.00	185,000.00	195,000.00	205,000.00
Interest	284,506.26	276,606.26	267,481.26	257,981.26	247,981.26
Revenue Financing System Revenue and Refunding Bonds:					
Series 2012A					
Principal	605,000.00	615,000.00	630,000.00	645,000.00	660,000.00
Interest	84,050.00	71,850.00	59,400.00	46,650.00	33,600.00
Revenue Financing System Revenue and Refunding Bonds:					
Series 2012B					
Principal	70,000.00	70,000.00	515,000.00	520,000.00	535,000.00
Interest	131,015.30	130,337.00	126,113.43	117,778.56	107,612.61
Total	7,210,649.06	6,934,714.51	7,620,911.09	6,763,962.32	6,770,021.37
Less Interest	(2,995,649.06)	(2,834,714.51)	(3,570,911.09)	(2,593,962.32)	(2,445,021.37)
Total Principal	<u>\$ 4,215,000.00</u>	<u>\$ 4,100,000.00</u>	<u>\$4,050,000.00</u>	<u>\$4,170,000.00</u>	<u>\$4,325,000.00</u>

<u>2020-24</u>	<u>2025-29</u>	<u>2030-34</u>	<u>2035-39</u>	<u>Total Requirements</u>
				\$1,430,000.00
				60,937.50
\$5,515,000.00	\$6,100,000.00	\$2,760,000.00		21,965,000.00
2,641,338.75	1,285,068.75	233,562.52		8,176,076.27
7,280,000.00	9,145,000.00	11,750,000.00		34,215,000.00
6,015,615.00	4,156,833.75	1,743,087.50		20,035,787.65
1,175,000.00	1,450,000.00	1,815,000.00	\$ 860,000.00	6,235,000.00
1,078,281.30	767,931.30	412,334.39	40,237.50	3,633,340.79
675,000.00	600,000.00			4,430,000.00
20,250.00	6,750.00			322,550.00
2,885,000.00	630,000.00			5,225,000.00
322,288.40	10,209.15			945,354.45
27,607,773.45	24,151,792.95	18,713,984.41	900,237.50	106,674,046.66
(10,077,773.45)	(6,226,792.95)	(2,388,984.41)	(40,237.50)	(33,174,046.66)
<u>\$ 17,530,000.00</u>	<u>\$ 17,925,000.00</u>	<u>\$16,325,000.00</u>	<u>\$ 860,000.00</u>	<u>\$73,500,000.00</u>
			Less Unamortized Accretion	(375,215.51)
				<u>\$73,124,784.49</u>

Midwestern State University

Unaudited

Midwestern State University
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2014

ANNUAL FINANCIAL REPORT

Business Type Activities					
Description of Issue					
		<u>Application of Funds</u>			
		<u>Principal</u>	<u>Interest</u>		
<u>General Obligation Bonds</u>					
Constitutional Appropriation					
Series 2004		<u>\$ 1,455,000.00</u>	<u>\$ 27,281.25</u>		
		<u>Pledged and Other Sources and Related Expenditures for FY 2014</u>			
		<u>Net Available for Debt Service</u>			
		Total Pledged and Other Sources	Operating Expenses/ Expenditures And Capital Outlay	<u>Debt Service</u>	
<u>Revenue Financing System Revenue Bonds</u>				<u>Principal</u>	<u>Interest</u>
Revenue Financing System					
Series 2002				\$ 465,000.00	\$ 9,881.25
Building Revenue & Refunding					
Series 2003				790,000.00	85,475.00
Revenue and Refunding					
Series 2007				1,350,000.00	979,932.50
Revenue Financing System					
Series 2008				1,095,000.00	1,566,588.75
Revenue Financing System					
Series 2010			\$47,979.16	160,000.00	291,106.26
Revenue Financing System					
Series 2012A				125,000.00	91,350.00
Revenue Financing System					
Series 2012B				<u>70,000.00</u>	<u>131,489.90</u>
Total for all Revenue Financing					
System Revenue Bonds		<u>\$67,455,168.66</u>	<u>\$47,979.16</u>	<u>\$4,055,000.00</u>	<u>\$3,155,823.66</u>

Year Ended
8-31-2014
(UNAUDITED)

Midwestern State University

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Midwestern State University
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2014

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Business Type Activities		
<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Financing System Revenue Bonds		
Series 2002	2013	\$ 4,600,000.00
Revenue Financing System Revenue and Refunding Bonds		
Series 2003	2013	4,945,000.00
	Total	<u>\$ 9,545,000.00</u>

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**Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2014**

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Business Type Activities

Description of Issue	Category	Amount Extinguished or Refunded	Refunded Issued Par Value	Cash Flow Increase (Decrease)	Economic Gain/(Loss)
None for the Year Ended August 31, 2014					
		_____	_____	_____	_____
		_____	_____	_____	_____

Midwestern State University

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Midwestern State University
Schedule 3 - Reconciliation of Cash in State Treasury
For the Years Ended August 31

Cash in State Treasury	Unrestricted	Restricted	Current Year 2014	Prior Year 2013
General Revenue - Dedicated Fund 0264	\$4,377,642.15		\$4,377,642.15	\$4,508,478.78
Special Mineral Fund - Fund 0412	16,688.41		16,688.41	
Total Cash in State Treasury (Stmt of Net Assets)	<u>\$4,394,330.56</u>		<u>\$4,394,330.56</u>	<u>\$4,508,478.78</u>

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