



# **Midwestern State University**

**Financial Report  
(Unaudited)  
For The Year Ended  
August 31, 2013**

# Midwestern State University

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# 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, 2013 and 2012.

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.

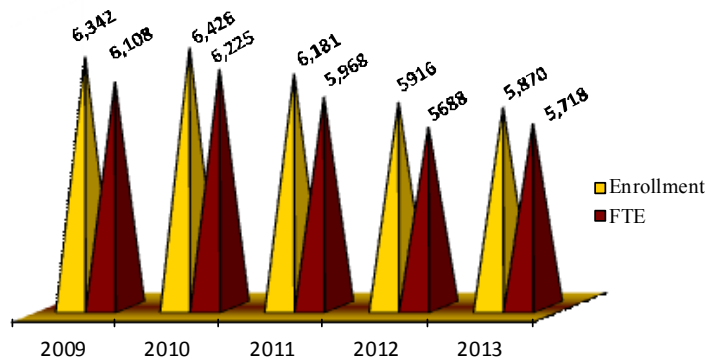
The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2009. Increased academic standards, a decline in local college age population, and a statewide consistent pattern of very flat student enrollment explain this variance.

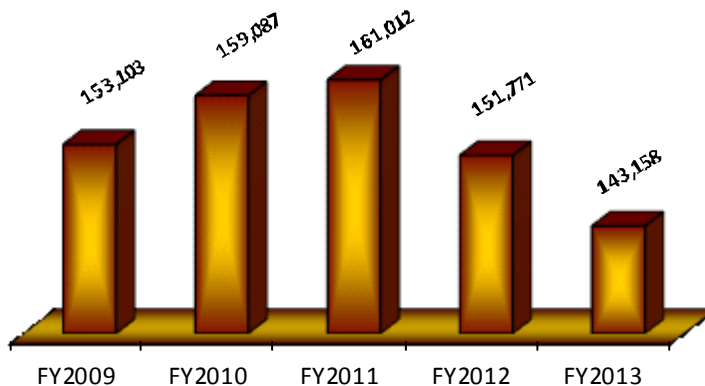
Beginning in 2006, and again in 2011, the university changed its academic standards to ensure students were prepared to pursue higher education. The increase in standards has created growth in student retention as more of our freshmen are better prepared for college which also improves graduation rates. 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/semester credit hour assessment to all US citizens, which is a great positive impact on future enrollment.

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Fall Headcount vs FTE



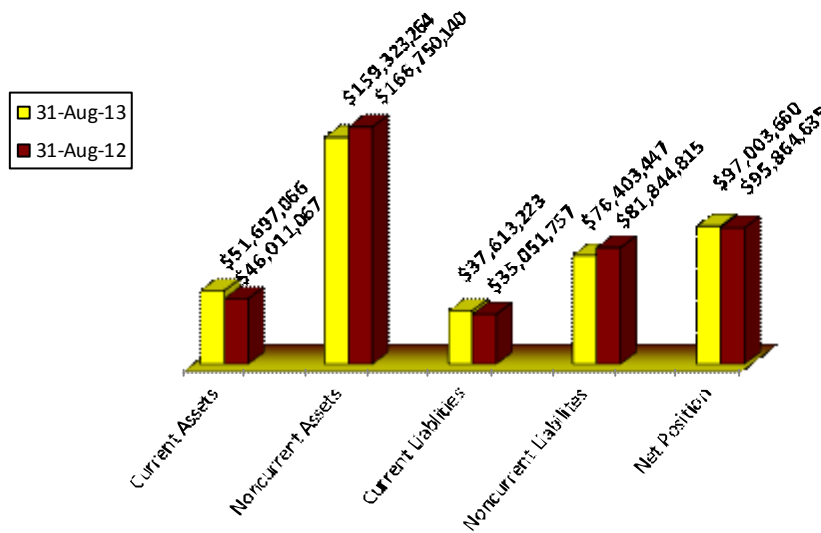
Total Enrolled Semester Credit Hours



# Midwestern State University

## Management's Discussion & Analysis - Unaudited

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### 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 assets. 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>2013</u>	<u>2012</u>
<b>Current Assets</b>	\$ 51,697,066	\$ 46,011,067
<b>Noncurrent Assets:</b>		
Capital Assets	128,438,882	134,327,458
Other	30,884,382	32,422,682
<b>Total Assets</b>	\$211,020,330	\$212,761,207
<b>Current Liabilities</b>	\$ 37,613,223	\$ 35,051,757
<b>Noncurrent Liabilities</b>	76,403,447	81,844,815
<b>Total Liabilities</b>	114,016,670	116,896,572
<b>Net Position:</b>		
Invested in Capital Assets	48,934,721	50,204,678
Restricted for:		
Debt Retirement		
Nonexpendable	4,071,779	4,129,598
Expendable:		
Capital Projects	4,558,696	6,408,519
Restricted by Contributor	10,605,446	6,902,644
Unrestricted	28,833,018	28,219,196
<b>Total Net Position</b>	97,003,660	95,864,635
<b>Total Liabilities and Net Position</b>	\$211,020,330	\$212,761,207

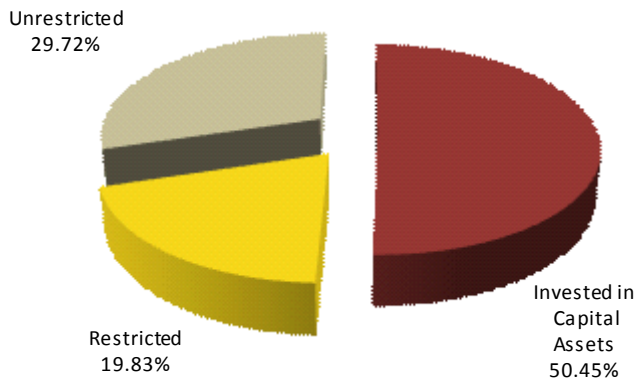


# Midwestern State University Management's Discussion & Analysis - Unaudited

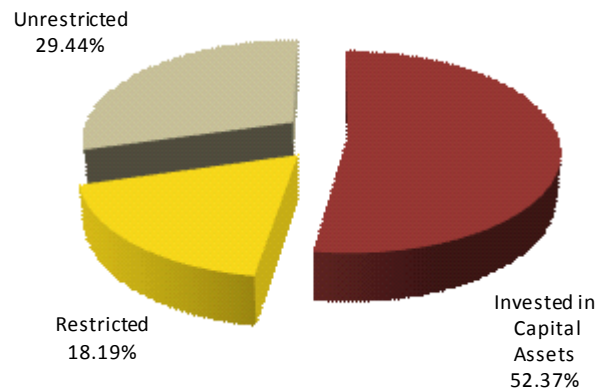
The following charts indicate the changes in net assets for the year ended August 31, 2013 as compared to the previous year.

ANNUAL FINANCIAL REPORT

**Net Position - August 31, 2013**

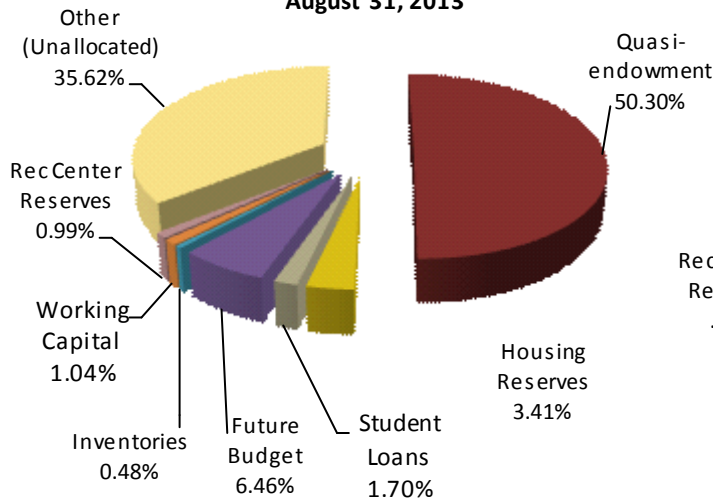


**Net Assets - August 31, 2012**

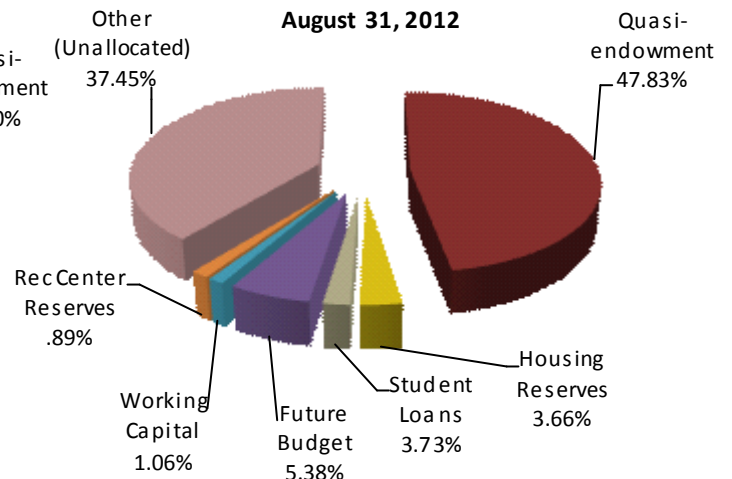


The university reports unrestricted net position of 29.72% of total net position for the year ended August 31, 2013 and 29.44% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how funds have been allocated:

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



**Allocation of Unrestricted Net Assets  
August 31, 2012**



# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### The University's Results of Operations

The statement of revenues, expenses, and changes in net assets reflects the university's operating results for the fiscal years ended August 31, 2013 and 2012. 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.

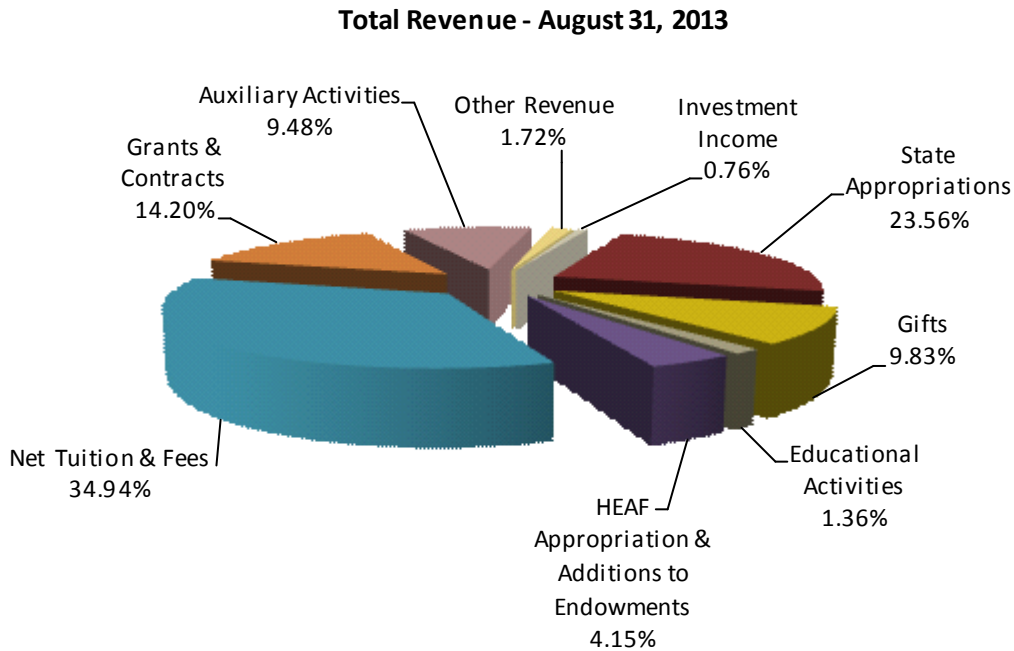
The statement below compares the operating results of the university for the years ended August 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
<b>Operating Revenue:</b>		
Net tuition and fees	\$ 31,369,150	\$ 29,393,905
Grants and contracts	4,711,469	4,327,184
Sales and Service of Educational Activities	1,218,121	1,166,329
Sales and Services of Auxiliary Enterprises	8,511,929	8,257,663
Other	1,533,553	1,586,110
Total Operating Revenue	<u>47,344,222</u>	<u>44,731,191</u>
<b>Total Operating Expenses</b>	<u>(84,937,904)</u>	<u>(81,183,165)</u>
Operating Loss	(37,593,682)	(36,451,974)
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	16,619,208	16,762,807
Additional State Appropriations	4,535,981	4,423,896
Federal Grants	8,040,933	8,814,310
Gifts	8,829,212	6,722,053
Other Nonoperating Revenues (Expenses)	5,543	(2,490)
Investment Income	684,673	853,372
Net Increase (Decrease) in Fair Value of Investments	567,653	1,284,638
Net Book Value of Capital Asset Disposals	(385,590)	(45,501)
Interest Expense on Capital Asset Financing	(3,701,517)	(3,575,660)
Total Nonoperating Revenue (Expense)	<u>35,196,096</u>	<u>35,237,425</u>
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(2,397,586)	(1,214,549)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	755,000	4,999,209
HEAF Appropriation	3,559,433	3,559,433
Additions to Endowments	165,596	221,926
Transfers In	1,748	333,347
Transfers Out	(945,166)	(933,170)
<b>Increase (Decrease) in Net Position</b>	<u>1,139,025</u>	<u>6,966,196</u>
<b>Net Position Beginning of Year</b>	<u>95,864,635</u>	<u>88,898,439</u>
<b>Net Position, End of Year</b>	<u>\$ 97,003,660</u>	<u>\$ 95,864,635</u>

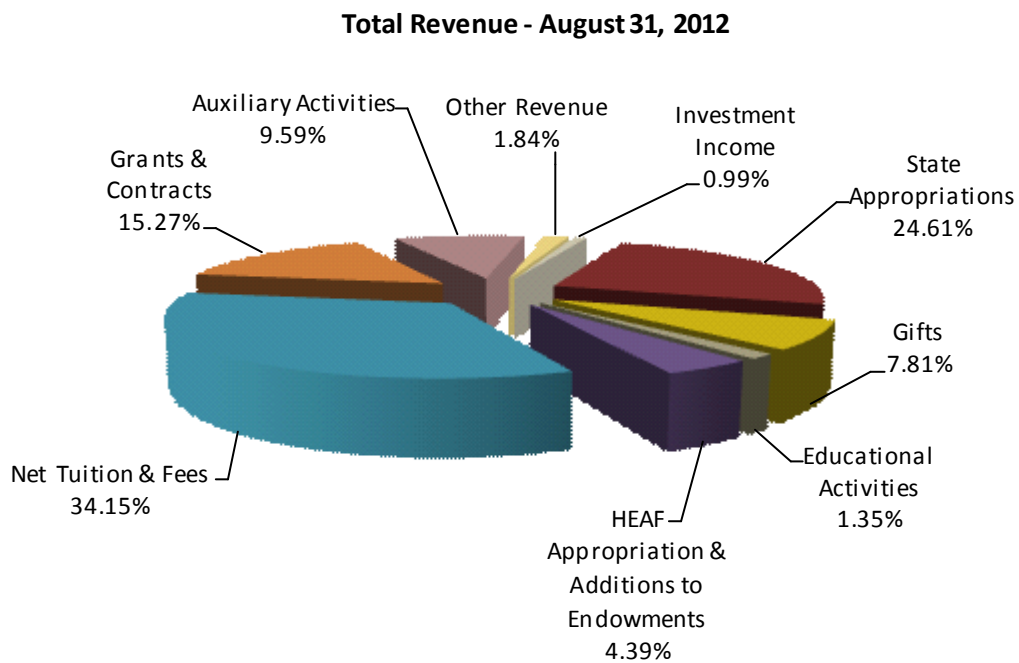
Year  
Ended  
8-31-2013  
(UNAUDITED)

# Midwestern State University Management's Discussion & Analysis - Unaudited

This chart identifies the components of total revenue for the year ended August 31, 2013.



This chart reflects the same information for the year ended August 31, 2012.



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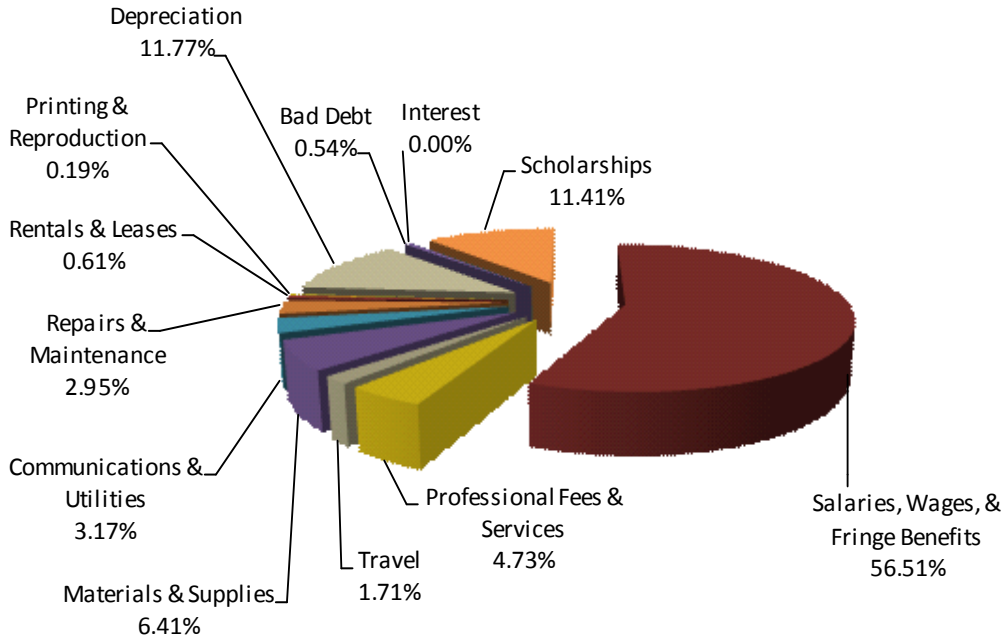
# Midwestern State University

## Management's Discussion & Analysis - Unaudited

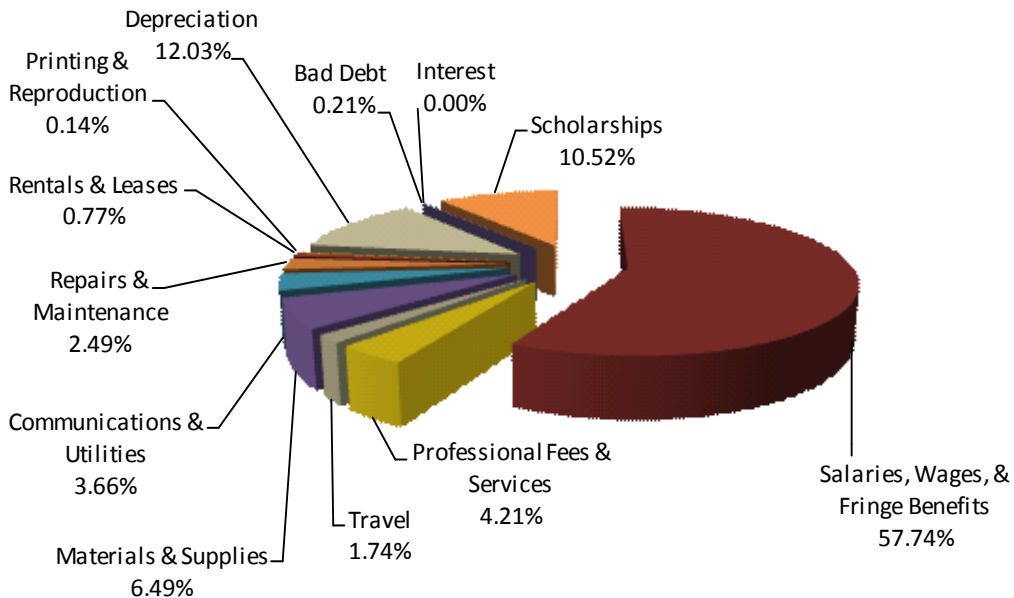
Total operating expenses for the year ended August 31, 2013 were \$84,937,904 as compared to \$81,183,165 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2013 and fiscal year 2012.

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**Total Operating Expenses - August 31, 2013**



**Total Operating Expenses - August 31, 2012**



# 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>2013</u>	<u>2012</u>
Cash provided (used) by:		
Operating activities	\$(26,895,622)	\$(27,386,904)
Noncapital financing activities	36,976,546	33,830,365
Capital and related financing activities	(9,231,971)	(5,633,487)
Investing activities	299,696	338,775
Net increase (decrease) in cash	1,148,649	1,148,749
Cash – Beginning of year	6,836,602	5,687,853
Cash – End of year	\$ 7,985,251	\$ 6,836,602

There was a net increase in cash of \$1,148,649.

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 \$30.4 million, grants accounted for \$4.7 million and auxiliary enterprises, including housing and dining, accounted for \$9 million.

State appropriations in the amount of \$21.4 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 \$8.3 million, additions to endowments in the amount of \$165 thousand, and \$8 million in Federal non-operating grants.

The main uses of capital and related financing activities came from the financing of renovations to D.L. Ligon Coliseum. Cash was used to purchase capital assets in the amount of \$3.7 million and for the payment of principal and interest on capital debt in the amount of \$8.8 million.

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# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### Capital Assets and Debt Administration

#### Capital Assets

As of August 31, 2013, the university had \$128.4 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$116.7 million. Depreciation charges totaled \$9.9 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

	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 5,434,952	\$ 4,693,326
Construction in Progress	859,948	3,437,691
Buildings and Building Improvements	187,171,528	183,895,384
Infrastructure	12,823,875	12,823,875
Facilities Improvements	7,227,419	6,572,510
Furniture and Equipment	12,317,951	11,543,686
Vehicles	1,718,380	1,543,521
Computer Software	2,165,669	2,165,669
Other Capital Assets	<u>15,394,522</u>	<u>15,255,814</u>
<b>Total</b>	<u>\$245,114,244</u>	<u>\$241,931,476</u>

Additions to assets of \$4.6 million during fiscal year 2012-2013 included: renovations to D.L. Ligon coliseum, the addition of the northwest parking lots, and renovations to the McCoy School of Engineering and the Wichita Falls Museum of Art at MSU.

The construction in progress at the end of the year is the continued renovation of Wichita Falls Museum of Art at MSU, expansion of the McCoy Engineering building, 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.

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# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### Debt

At year-end, the university had \$115 million in outstanding debt. Outstanding debt for the year ended August 31, 2012 was \$123 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2013 compared with August 31, 2012.

	<u>2013</u>	<u>2012</u>
Revenue Bonds	\$ 77,064,754	\$ 80,365,670
General Obligation Bonds (HEAF)	1,455,000	2,860,000
Accrued long term interest payable on bonds	36,357,153	40,696,827
Total	\$ 114,876,907	\$ 123,922,497

Debt repayments made during the year included principal in the amount of \$5,385,000 and interest in the amount of \$3,306,196.

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.

### Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU), like universities throughout the United States, faces numerous challenges in the future. MSU has developed its 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 alumni. These strengths enhance the ability to recruit students and to seek external gifts. MSU has benefited substantially from 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 students 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.

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

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.

### FINANCIAL

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

Following two years of declining enrollment, MSU contracted with Noel-Levitz, higher education consultants, to develop a strategic enrollment management plan. Changes have been made in prospecting, recruiting, and admitting students to MSU. As a result of these strategic initiatives and the investment of significant private funds into scholarships, fall 2013 enrollment is relatively stable and the beginning freshman class increased by 33% when compared to the fall 2012.

Resources have been invested to increase of the number of on-line course offerings at MSU. It is anticipated that this will also have a positive effect on MSU enrollment.

Overall enrollment during the next three years should begin to increase as smaller classes graduate and larger classes enter the university.

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# Midwestern State University

Unaudited

Midwestern State University  
Exhibit I  
Comparative Statement of Net Position  
August 31

		ASSETS	
		<u>2013</u>	<u>2012</u>
<b>Current Assets:</b>			
<u>Cash and Cash Equivalents:</u>			
Cash on Hand	\$	16,300	\$ 16,300
Cash in Bank		3,596,415	4,793,124
Cash in State Treasury		4,508,479	4,581,563
Short-term Investments		23,061,587	20,334,118
State Appropriations		970,443	1,230,859
<u>Restricted:</u>			
Cash and Cash Equivalents:			
Cash in Bank		(135,942)	(2,554,385)
Short-term Investments			
Notes and Loans receivable		4,441	17,044
<u>Net Receivables:</u>			
Student Receivables		6,186,514	5,297,785
Federal Receivables		163,882	347,394
Other Intergovernmental Receivables		1	236
Interest and Dividends		39,289	58,039
Other Receivables		1,534,297	1,416,864
Pledges receivable		2,895,644	2,360,468
Consumable Inventories		266,416	257,008
Prepaid Expenses		8,589,300	7,854,650
<b>Total Current Assets</b>		<u>51,697,066</u>	<u>46,011,067</u>
<b>Noncurrent Assets:</b>			
<u>Restricted:</u>			
Investments		5,018,972	5,098,890
Loans and Contracts		63,973	55,812
Other Long term Investments		23,317,809	25,002,147
Pledges Receivable		1,383,332	1,110,516
Deferred Financing Costs		1,100,295	1,155,317
<u>Capital Assets, Non-depreciable:</u>			
Land and Land Improvements	\$	5,434,953	\$ 4,693,326
Construction in Progress		859,948	3,437,691
Other Capital Assets		3,549,965	9,844,866
		9,844,866	3,502,715
			11,633,732
<u>Capital Assets, Depreciable:</u>			
Buildings & Building Improvements		187,171,528	183,895,384
Less Accumulated Depreciation	(85,602,208)	101,569,320	(78,319,852)
Infrastructure		12,823,875	12,823,875
Less Accumulated Depreciation	(5,440,981)	7,382,894	(4,980,900)
Facilities and Other Improvements		7,227,419	6,572,510
Less Accumulated Depreciation	(3,972,931)	3,254,488	(3,643,822)
Furniture and Equipment		12,317,951	11,543,686
Less Accumulated Depreciation	(9,232,470)	3,085,481	(8,560,547)
Vehicles		1,718,380	1,543,521
Less Accumulated Depreciation	(903,264)	815,116	(1,040,576)
Other Capital Assets		11,844,557	11,753,099
Less Accumulated Depreciation	(10,040,141)	1,804,416	(9,771,679)
			1,981,420
<u>Intangible Capital Assets, Amortizable:</u>			
Computer Software		2,165,669	2,165,669
Less Accumulated Depreciation	(1,483,367)	682,302	(1,286,642)
<b>Total Noncurrent Assets</b>		<u>159,323,264</u>	<u>166,750,140</u>
<b>Total Assets</b>		<u>\$ 211,020,330</u>	<u>\$ 212,761,207</u>

Year  
Ended  
8-31-2013  
(UNAUDITED)



<b>LIABILITIES</b>		
	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Current Liabilities:</b>		
Accounts Payable	\$ 2,400,113	\$ 2,192,020
Accrued Liabilities	5,076,237	3,995,332
Employees' Compensable Leave	156,550	179,852
Room/Property Deposits	70,589	68,236
Deferred Revenues	23,937,154	23,001,118
Retainages and Contracts	27,554	96,289
Funds Held for Others	100,505	94,645
Capital Lease	20,577	19,202
Due to Other Agencies (SECO Loan)	256,385	251,570
Unamortized Discount on Rev Bonds	(12,344)	(12,344)
Unamortized Premium on Rev Bonds	69,903	55,837
Revenue Bonds Payable	4,055,000	3,705,000
Constitutional Appropriation Bonds	1,455,000	1,405,000
<b>Total Current Liabilities</b>	<u>37,613,223</u>	<u>35,051,757</u>
<b>Noncurrent Liabilities:</b>		
Employees' Compensable Leave	1,309,975	1,325,200
Room/Property Deposits	192,148	178,103
Capital Lease	74,461	95,038
Due to Other Agencies (SECO Loan)	1,785,354	2,041,489
Unamortized Discount on Rev Bonds	(221,878)	(234,222)
Unamortized Premium on Rev Bonds	253,633	323,537
Revenue Bonds Payable	73,009,754	76,660,670
Constitutional Appropriation Bonds	1,455,000	1,455,000
<b>Total Noncurrent Liabilities</b>	<u>76,403,447</u>	<u>81,844,815</u>
<b>Total Liabilities</b>	<u>114,016,670</u>	<u>116,896,572</u>
<b>NET POSITION</b>		
Invested in Capital Assets, net of related debt	48,934,721	50,204,678
Restricted for:		
Debt Retirement		
Nonexpendable	4,071,779	4,129,598
Expendable:		
Capital Projects	4,558,696	6,408,519
Restricted by Contributor	10,605,446	6,902,644
Unrestricted	<u>28,833,018</u>	<u>28,219,196</u>
<b>Total Net Position</b>	<u>97,003,660</u>	<u>95,864,635</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 211,020,330</u>	<u>\$ 212,761,207</u>

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**

A N N U A L  F I N A N C I A L  R E P O R T	<b>Operating Revenues:</b>	<u>2013</u>	<u>2012</u>
	Student Tuition and Fees (net of scholarship allowances of \$9,889,867 and \$11,250,249, respectively)	\$ 31,369,150	\$ 29,393,905
	Federal Grants	716,527	1,398,665
	Federal Pass-Through Grants	106,469	163,803
	State Grants Pass-Through from Other State Agencies	3,113,927	2,554,470
	Other Grants and Contracts	774,546	210,246
	Sales and Services of Educational Activities	1,218,121	1,166,329
	Sales and Services of Auxiliary Enterprises	8,511,929	8,257,663
	Other Operating Revenue	<u>1,533,553</u>	<u>1,586,110</u>
	<b>Total Operating Revenues</b>	<b>47,344,222</b>	<b>44,731,191</b>
	<b>Operating Expenses:</b>		
	Salaries and Wages	37,531,979	36,795,598
	Payroll Related Costs	10,468,569	10,076,375
	Professional Fees and Services	4,014,945	3,391,242
	Travel	1,455,146	1,413,283
	Materials and Supplies	5,441,692	5,272,536
	Communications and Utilities	2,690,544	2,974,207
	Repairs and Maintenance	2,507,547	2,021,045
	Rentals and Leases	521,175	629,113
	Printing and Reproduction	161,579	110,968
	Federal Pass Through Expenditures		28,441
	Depreciation	9,995,431	9,811,864
	Bad Debt Expense	454,862	120,605
	Interest	1,756	278
	Scholarships	<u>9,692,679</u>	<u>8,537,610</u>
	<b>Total Operating Expenses</b>	<b>84,937,904</b>	<b>81,183,165</b>
	<b>Operating Loss</b>	<b>(37,593,682)</b>	<b>(36,451,974)</b>
	<b>Nonoperating Revenues (Expenses):</b>		
	State Appropriations	16,619,208	16,762,807
	Additional State Appropriations	4,535,981	4,423,896
	Legislative Appropriations Lapsed		
	Federal Pass-Through Grants		20,311
	Federal Grants	8,040,933	8,793,999
	Gifts	8,829,212	6,722,053
	Other Nonoperating revenues (expense)	5,543	(2,490)
	Investment Income	684,673	853,372
	Net Increase (Decrease) in Fair Value of Investments	567,653	1,284,638
	Net Book Value of Capital Asset Disposals	(385,590)	(45,501)
	Interest Expense on Capital Asset Financing	<u>(3,701,517)</u>	<u>(3,575,660)</u>
	<b>Total Nonoperating Revenues (Expenses)</b>	<b>35,196,096</b>	<b>35,237,425</b>
	Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	<b>(2,397,586)</b>	<b>(1,214,549)</b>

Year  
Ended  
8-31-2013  
(UNAUDITED)

	<b><u>2013</u></b>	<b><u>2012</u></b>
Capital Contributions	\$ 755,000	\$ 4,999,209
HEAF Appropriation	3,559,433	3,559,433
Additions to Endowments	165,596	221,926
Transfer In	1,748	333,347
Transfers Out	<u>(945,166)</u>	<u>(933,170)</u>
<b>Increase (Decrease) in Net Position</b>	1,139,025	6,966,196
Net Position, Beginning of Year	95,864,635	88,898,439
Net Position, End of Year	<u>\$ 97,003,660</u>	<u>\$ 95,864,635</u>

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

# Midwestern State University

Unaudited

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

ANNUAL FINANCIAL

	<b>Total Operating Expenses</b>	<b>Instruction</b>	<b>Research</b>	<b>Public Service</b>	<b>Academic Support</b>
Salaries and Wages	\$ 37,531,979	\$ 19,785,104	\$ 351,301	\$ 309,842	\$ 2,843,606
Payroll Related Costs	10,468,569	5,422,152	21,194	62,265	761,604
Professional Fees and Services	4,014,945	665,219	20,156	58,657	1,037,007
Travel	1,455,146	437,241	83,991	17,166	144,019
Materials and Supplies	5,441,692	709,197	61,873	142,074	670,255
Communications and Utilities	2,690,544	64,178	602	2,395	17,481
Repairs and Maintenance	2,507,547	129,022	276	31,746	210,652
Rentals and Leases	521,175	126,687	9,185	81,274	38,617
Printing and Reproduction	161,579	47,436	2,146	11,645	62,227
Federal Pass Through Expenditures					
Depreciation & Amortization	9,995,431				
Bad Debt Expense	454,862				
Interest	1,756	24	16		560
Scholarships	9,692,679				
<b>Total Operating Expenses</b>	<b><u>\$ 84,937,904</u></b>	<b><u>\$ 27,386,260</u></b>	<b><u>\$ 550,740</u></b>	<b><u>\$ 717,064</u></b>	<b><u>\$ 5,786,028</u></b>

**Midwestern State University**  
**Matrix of Operating Expenses Reported by Function**  
**For the Year Ended August 31, 2012**

REPORT

	<b>Total Operating Expenses</b>	<b>Instruction</b>	<b>Research</b>	<b>Public Service</b>	<b>Academic Support</b>
Salaries and Wages	\$ 36,795,598	\$ 19,849,376	\$ 434,019	\$ 498,098	\$ 2,669,344
Payroll Related Costs	10,076,375	5,308,146	25,590	105,193	721,381
Professional Fees and Services	3,391,242	570,145	81,777	38,778	951,937
Travel	1,413,283	399,983	74,395	68,052	197,003
Materials and Supplies	5,272,536	583,054	246,063	134,612	572,572
Communications and Utilities	2,974,207	49,993	9,240	2,552	18,033
Repairs and Maintenance	2,021,045	155,720	18,342	32,224	105,972
Rentals and Leases	629,113	156,125	199	33,687	138,239
Printing and Reproduction	110,968	38,630	2,254	18,052	25,689
Federal Pass Through Expenditures	28,441				28,441
Depreciation	9,811,864				
Bad Debt Expense	120,605				
Interest	278	15		6	66
Scholarships	8,537,610				
<b>Total Operating Expenses</b>	<b><u>\$ 81,183,165</u></b>	<b><u>\$ 27,111,187</u></b>	<b><u>\$ 891,879</u></b>	<b><u>\$ 931,254</u></b>	<b><u>\$ 5,428,677</u></b>

Year  
Ended  
8-31-2013  
(UNAUDITED)

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation &amp; Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,404,269	\$ 4,874,740	\$ 2,482,754		\$ 1,480,363	
1,448,572	1,392,658	992,302		367,822	
1,387,969	(82,345)	335,636		592,646	
653,137	97,446	4,420		17,727	
1,116,842	543,382	476,306		1,721,763	
170,313	(38,943)	1,625,511		849,007	
255,506	589,759	1,024,118		266,467	
206,346	58,194	8,554		(7,682)	
107,578	(81,152)	1,647		10,052	
					\$ 9,995,431
454,862					
394	194	427		141	
			\$ 9,692,679		
<u>\$ 11,205,788</u>	<u>\$ 7,353,933</u>	<u>\$ 6,951,675</u>	<u>\$ 9,692,679</u>	<u>\$ 5,298,306</u>	<u>\$ 9,995,431</u>

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation &amp; Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,240,895	\$ 4,514,187	\$ 2,368,700		\$ 1,220,979	
1,380,184	1,266,449	939,991		329,441	
1,431,294	(450,424)	220,346		547,389	
548,027	103,949	6,996		14,878	
908,336	364,056	691,049		1,772,794	
174,394	(42,433)	1,852,395		910,033	
182,251	609,247	646,901		270,388	
197,291	55,588	10,868		37,116	
146,926	(136,456)	2,872		13,001	
					\$ 9,811,864
120,605					
110	35	35		11	
			\$ 8,537,610		
<u>\$ 10,330,313</u>	<u>\$ 6,284,198</u>	<u>\$ 6,740,153</u>	<u>\$ 8,537,610</u>	<u>\$ 5,116,030</u>	<u>\$ 9,811,864</u>

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

# Midwestern State University

Unaudited

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

A N N U A L  F I N A N C I A L  R E P O R T		<u>2013</u>	<u>2012</u>
	<b>Cash Flows from Operating Activities:</b>		
	Proceeds Received from Students	\$ 30,458,617	\$ 29,687,808
	Proceeds Received for Sponsored Programs	4,733,523	4,410,858
	Proceeds Received from Auxiliary Enterprises	9,059,166	8,320,137
	Proceeds From Loan Programs	11,673	29,200
	Proceeds From Other Revenues	2,751,674	2,752,438
	Payments to Employees	(46,958,171)	(46,265,317)
	Payments to Suppliers for Good and Services	(16,545,278)	(17,679,140)
	Payments for Scholarships	(10,405,070)	(8,642,610)
	Payments for Loans Provided	(1,756)	(278)
	Net Cash Provided (Used) by Operating Activities	<u>(26,895,622)</u>	<u>(27,386,904)</u>
	<b>Cash Flows from Noncapital Financing Activities:</b>		
	Proceeds from State Appropriations	21,415,606	20,963,446
	Proceeds from Endowment Gifts	165,595	221,926
	Proceeds from Gifts	8,294,035	4,766,343
	Proceeds from Other Noncapital Financing Activities	5,543	(2,490)
	Proceeds from Nonoperating Grants	8,040,933	8,814,310
	Transfers out to Other Funds	(945,166)	(933,170)
	Net Cash Provided by Noncapital Financing Activities	<u>36,976,546</u>	<u>33,830,365</u>
	<b>Cash Flows from Capital and Related Financing Activities:</b>		
	Proceeds from Capital Gifts	(262,816)	3,888,693
	Proceeds from HEAF Appropriations	3,559,433	3,559,433
	Proceeds From Interest on Capital Investments	935	43,109
	Payments for Additions to Capital Assets	(3,745,696)	(4,616,735)
	Principal Paid on Capital Related Debt	(5,019,931)	(4,932,551)
	Interest Paid on Capital Related Debt	(3,763,896)	(3,575,436)
	Net Cash Provided by Capital and Related Financing Activities	<u>(9,231,971)</u>	<u>(5,633,487)</u>
	<b>Cash Flows from Investing Activities:</b>		
	Proceeds from Interest and Investment Income	229,912	719,914
	Proceeds from Sales and Maturities of Investments	8,806,694	14,072,164
	Payments to Acquire Investments	(8,736,910)	(14,453,303)
	Net Cash Provided (Used) by Investing Activities	<u>299,696</u>	<u>338,775</u>
	Increase (Decrease) in Cash and Cash Equivalents	1,148,649	1,148,749
	Cash and Cash Equivalents, September 1, 2012	<u>6,836,602</u>	<u>5,687,853</u>
	Cash and Cash Equivalents, August 31, 2013	<u>\$ 7,985,251</u>	<u>\$ 6,836,602</u>

Year  
Ended  
8-31-2013  
(UNAUDITED)



	<u>2013</u>	<u>2012</u>
<b>Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets:</b>		
<b>Current Assets:</b>		
Cash On Hand	\$ 16,300	\$ 16,300
Cash In Bank	3,596,414	4,793,124
Cash in State Treasury	4,508,479	4,581,563
<b>Restricted:</b>		
Cash In Bank	(135,942)	(2,554,385)
	<u>\$ 7,985,251</u>	<u>\$ 6,836,602</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (37,593,682)	\$ (36,451,974)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	9,995,431	9,811,864
Bad Debt Expense	454,862	120,605
(Increase) Decrease in Receivables	(1,278,208)	(136,497)
(Increase) Decrease in Inventories	(9,408)	977
(Increase) Decrease in Prepaid Expenses	(734,649)	(88,650)
(Increase) Decrease in Loans	12,603	(5,177)
Increase (Decrease) in Payables	1,354,061	(1,362,394)
Increase (Decrease) in Deferred Income	936,036	639,365
Increase (Decrease) in Other Liabilities	(32,668)	84,977
Total Adjustments	<u>10,698,060</u>	<u>9,065,070</u>
Net Cash Used by Operating Activities	<u>\$ (26,895,622)</u>	<u>\$ (27,386,904)</u>
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 567,653	\$ 1,284,638
(Loss) Gain on Asset Disposals	(385,590)	(45,501)
Donated Investment Assets		30,500
Donated Capital Assets	745,000	
Transfer In on Master Lease Purchase	1,748	333,347
Borrowing Under Capital Lease Purchase		126,387

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

# 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

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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.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### 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, 2013, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/12	Adjustment	Reclassifications Completed CIP
<b><u>Non-depreciable or Non-Amortizable Assets:</u></b>			
Land and Land Improvements	\$ 4,693,326		
Construction in Progress	3,437,691	\$(209,991)	\$ (4,294,669)
Other Tangible Capital Assets	3,502,715		
Total Non-depreciable Assets or Non-Amortizable Assets:	<u>11,633,732</u>	<u>(209,991)</u>	<u>(4,294,669)</u>
<b><u>Depreciable Assets:</u></b>			
Buildings and Building Improvements	183,895,384		3,639,760
Infrastructure	12,823,875		
Facilities and Other Improvements	6,572,510		654,909
Furniture and Equipment	11,543,686		
Vehicles	1,543,521		
Other Capital Assets	<u>11,753,099</u>		
Total Depreciable Assets:	<u>228,132,075</u>		<u>4,294,669</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(78,319,376)		
Infrastructure	(4,980,900)		
Facilities and Other Improvements	(3,643,822)		
Furniture and Equipment	(8,560,547)		
Vehicles	(1,040,576)		
Other Capital Assets	<u>(9,771,679)</u>		
Total Accumulated Depreciation	<u>(106,316,900)</u>		
Depreciable Assets, Net	<u>121,815,175</u>		
<b><u>Amortizable Assets - Intangible</u></b>			
Computer Software	2,165,669		
Total Amortizable Assets - Intangible	2,165,669	0	0
Less Accumulated Amortization for:			
Computer Software	(1,286,642)		
Total Accumulated Amortization	<u>(1,286,642)</u>		
Amortizable Assets - Intangible, Net	<u>879,027</u>		
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$134,327,934</u>	<u>\$ (209,991)</u>	<u>\$ 0</u>

Year  
Ended  
8-31-2013  
(UNAUDITED)



Additions	Deletions	Balance 08/31/13
\$ 741,626		\$ 5,434,952
1,926,917		859,948
47,250		3,549,965
<u>2,715,793</u>	<u>0</u>	<u>9,844,865</u>
105,828	\$ (469,444)	187,171,528
		12,823,875
		7,227,419
1,045,040	(270,775)	12,317,951
584,104	(409,245)	1,718,380
148,820	(57,362)	11,844,557
<u>1,883,792</u>	<u>(1,206,826)</u>	<u>233,103,710</u>
(7,631,067)	348,234	(85,602,209)
(460,081)		(5,440,981)
(329,109)		(3,972,931)
(942,699)	270,775	(9,232,471)
(167,289)	304,601	(903,264)
(325,824)	57,362	(10,040,141)
<u>(9,856,069)</u>	<u>980,972</u>	<u>(115,191,997)</u>
<u>(7,972,277)</u>	<u>(225,854)</u>	<u>117,911,713</u>
		2,165,669
0	0	2,165,669
(196,725)		(1,483,367)
(196,725)	0	(1,483,367)
(196,725)	0	682,302
<u>\$ (5,453,209)</u>	<u>\$ (225,854)</u>	<u>\$ 128,438,880</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, and
5. 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 \$17,832,233 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets.

#### Deposits of Cash in Bank

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

	<u>2013</u>	<u>2012</u>
Cash on Hand	\$ 16,300	\$ 16,300
Cash in Bank	3,460,472	2,238,739
Cash in State Treasury	4,508,479	4,581,563
Total Cash and Cash Equivalents	<u>\$7,985,251</u>	<u>\$6,836,602</u>
Current Assets—Cash and Cash Equivalents		
Cash on Hand	\$ 16,300	\$ 16,300
Cash in Bank	3,596,414	4,793,124
Cash in State Treasury	4,508,479	4,581,563
Current Assets— Restricted Cash and Cash Equivalents	<u>(135,942)</u>	<u>(2,554,385)</u>
Total Cash and Cash Equivalents	<u>\$7,985,251</u>	<u>\$6,836,602</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, 2013 was \$4,487,795. \$250,000 of this amount was covered by FDIC insurance, and \$4,237,795 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>2013</u>	<u>2012</u>
U.S. Government Agency Obligations	\$7,622,326	\$10,149,222
Corporate Bonds	2,103,117	2,190,505
Municipal Bonds	278,532	
Equities	15,426,042	8,714,597
Other Commingled Funds - Texpool	8,093,229	8,074,614
Other Commingled Funds - LOGIC	3,489,601	3,484,269
Other Commingled Funds - Goldman Sachs	115,680	201,326
Other Commingled Funds - Citibank	2,086,041	2,080,838
Certificates of Deposit - First National Bank	6,293,978	6,211,342
Certificates of Deposit - First United Bank	2,014,040	
Other Certificates of Deposit	490,000	2,490,000
Money Market - JP Morgan Chase	1,006,475	1,004,974
Money Market - First United Bank	2,001,939	
Other Money Market funds	52,859	5,431,990
Alternative Investments (including hedge funds)	324,509	401,478
<b>Total Investments</b>	<b><u>\$51,398,368</u></b>	<b><u>\$50,435,155</u></b>
Current Assets—Short-Term Investments	\$23,061,587	\$20,334,118
Non-Current Assets—Restricted Investments	5,018,972	5,098,890
Non-Current Assets—Other Long Term Investments	23,317,809	25,002,147
<b>Total Investments</b>	<b><u>\$51,398,368</u></b>	<b><u>\$50,435,155</u></b>

### 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, 2013, 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)	\$ 7,622,326			
Corporate Bonds			\$ 1,281,599	\$ 593,795
Comingled Funds—Texpool & LOGIC	11,582,830			
Municipal Bonds		278,532		

Investment Type	BB	B	Collateralized	Not Rated
Other Comingled Funds—Goldman Sachs				115,680
Other Comingled Funds—Citibank			\$ 2,086,041	
Certificate of Deposit—First National Bank			6,293,978	
Certificates of Deposit—First United			2,014,040	
Certificates of Deposit—Other			490,000	
Corporate Bonds				227,723
Money Market—JP Morgan			1,006,475	
Money Market—First United Bank			2,001,939	
Other Money Market				52,859
Equities				15,426,042
Alternative Investments (including hedge funds)				324,509

# 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, 2013, 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, 2013, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
U.S. Government Agency Obligations	\$ 7,622,326	3.47
Corporate Bonds	\$ 2,103,117	4.06
Municipal Bonds	\$ 278,532	Not available

**Note 4: Short-Term Debt**

Not Applicable

**Note 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2013, the following changes occurred in liabilities:

	Balance				Balance	Amounts Due Within One Year
	09-01-12	Restatement	Additions	Reductions		
Business-Type Activities						
Revenue Bonds Payable	\$80,365,670			*	\$77,064,754	\$4,055,000
Unamortized Premium on Revenue Bonds	379,373			55,837	323,536	69,903
Unamortized Discount on Revenue Bonds	(246,566)			(12,344)	(234,222)	(12,344)
Subtotal	80,498,477		10,224,084	13,568,493	77,154,068	4,112,559
General Obligation Bond Payable	2,860,000			1,405,000	1,455,000	1,455,000
Compensable Leave	1,505,053		252,166	290,694	1,466,525	156,550
Capital Lease	114,240			19,202	95,038	20,577
SECO Federal Revolving Loan	2,293,059			251,321	2,041,738	256,385
Total	<u>\$87,270,829</u>	<u>\$0.00</u>	<u>\$10,476,250</u>	<u>\$15,534,710</u>	<u>\$82,212,369</u>	<u>\$6,001,071</u>

\*See Note 6

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### 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 or her 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 \$1,466,525. The University made lump sum payments totaling \$290,694 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2013, and payments of \$121,847 for the year ended August 31, 2012.

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 and Schedule 2E-Defeased Bonds Outstanding.

General information related to Revenue Financing System bonds is summarized on this page 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, and student service fees and private gifts
- \$4,600,000 of this 2002 series was refunded in October 2012 (see Series 2012A)

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### **Note 6: Continued**

#### 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)

#### 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.

#### 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; and, 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

# 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			Beginning					
Principal		(615,670)	Premium		(379,373)			(995,043)
Amortization			Amortization					
Entries	FY13	(99,084)	Entries	FY13	55,836			(43,248)
Balance at		(714,754)	Balance at		(323,537)			(1,038,291)
Future Entries:	FY14	(115,031)	Future Entries:	FY14	69,903			(45,127)
	FY15	(133,543)		FY15	86,457			(47,086)
	FY16	(155,035)		FY16	105,903			(49,133)
	FY17	(86,637)		FY17	61,274			(25,363)
		(490,246)			323,537			(166,709)
Maturity Value		(1,205,000)			0			(1,205,000)

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; and, student service fees and private gifts in the Auxiliary Fund Group

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, and student service fees and private gifts

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### **Note 6: Continued**

#### 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

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.”

### **Note 7: Derivatives**

Not Applicable.

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# Midwestern State University

## 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 fair 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 8/31/13.

Business-Type Activities	Year Ended August 31, 2013		
<u>Class of Property</u>	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Vehicles	\$132,036	(\$39,435)	\$92,601

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>
2014	\$20,577	\$5,943	\$26,520
2015	\$74,461	\$2,079	\$76,540
Total Minimum Lease Payments	\$95,038	\$8,022	\$103,060
Less: Amount Representing Interest at Various Rates			<u>\$8,022</u>
Present Value of Net Minimum Lease Payments			<u>\$95,038</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>
2014	\$134,192
2015	110,485
2016	88,456
2017	56,476
2018	17,847
Total Future Minimum Lease Payments	<u>\$407,456</u>

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### 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. The normal service retirement is at age 65 with 5 years of credited service or, for members who established and maintained membership before September 1, 2007, when the sum of the member's age and years of credited service equals or exceeds 80 years (Rule of 80). For members who established membership on or after September 1, 2007, members must be at least age 60 with at least 5 years of credited service to retire under the Rule of 80. Reduced service retirement is at age 55 with 5 years of credited service and at any age below 50 with 30 years of credited service. The standard life annuity benefit formula is 2.3 percent of the average of the five highest annual salaries multiplied by the years of service credit. For certain "grandfathered" members, the three highest annual salaries are used. 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](http://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, 2013, the statutorily required contribution rate was 6.4% of annual compensation from active plan members and 6.4% 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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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**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% contributed by the State and an additional 2.5% contributed by the University. For participants who enrolled after September 1, 1995, State and participant contributions are 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.

	Year Ended August 31, 2013	Year Ended August 31, 2012
Member Contributions	\$1,078,890	\$1,105,506
Employer Contributions	\$1,148,237	\$1,178,576
Total Remittance	\$2,227,127	\$2,284,082

**Note 10: Deferred Compensation**

The university's Board of Regents approved a non-qualified deferred compensation plan for the university President which provided for \$1,250 per month to be set-aside for the President for twelve months beginning September 1, 2010 and ending August 31, 2011 and \$3,750 per month for twenty-four months, ending August 31, 2013, at which time the President received the full distribution of the \$106,152 balance of the Deferred Compensation Account. Another non-qualified deferred compensation plan was approved by the Board of Regents, which provided for \$3,750 per month to be set-aside for the President for twenty-four months beginning September 1, 2013 and ending August 31, 2015.

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: Post-employment Health Care and Life Insurance Benefits**

Not Applicable.

ANNUAL

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REPORT

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 12: Interfund Activity and Transactions**

University transactions with other state agencies are as follows:

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Name of State Agency, Agency Number	Interfund Receivable	Interfund Payable	Purpose
<b><u>Interfund Receivables and Payables—Current:</u></b>			
State Energy Conservation Office, 907 D23 Fund 7999		<u>\$ 256,385</u>	SECO Federal Revolving Loan
<b><u>Interfund Receivables and Payables—Non Current:</u></b>			
State Energy Conservation Office, 907 D23 Fund 7999		<u>\$ 1,785,354</u>	SECO Federal Revolving Loan
Name of State Agency, Agency Number	Due From Other Agencies	Due To Other Agencies	Purpose
<b><u>Due to Due From:</u></b>			
Texas Department of Motor Vehicles, 608 D23 Fund 5015	\$ 1		Texas Collegiate License Plate Fund
Texas Tech University, 733 D23 Fund 7999	<u>71,816</u>		Small Business Development Center
<b>Total Due From/To</b>	<u>\$ 71,817</u>		
	<u>Transfer In</u>	<u>Transfer Out</u>	
<b><u>Operating Transfers:</u></b>			
Texas Higher Education Coordinating Board, 781			
D23 Fund 0264		\$ 886	Dental Hygienist Degree or Certification Program
D23 Fund 5103		366,155	Texas B-On-Time Loan Program
Texas Public Finance Authority, 347			
D23 Fund 7999		578,125	Master Lease Purchase Payment
D23 Fund 7999	<u>\$ 1,748</u>		Master Lease Purchase Payment
<b>Total Transfers</b>	<u>\$ 1,748</u>	<u>\$ 945,166</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).

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 14: Adjustments to Fund Balance/Net Assets

Not Applicable.

### Note 15: Contingencies and Commitments

There is no pending or threatened litigation.

### Note 16: Subsequent Events

Senate Bill 1019, sponsored by the university's local legislators, passed in the 83<sup>rd</sup> Texas Legislature. The bill allows institutions with endowment funds of less than \$25 million to pool its investments with another governing board that has oversight of endowment funds in excess of \$25 million. After consideration of several options, the university entered into an agreement with the Texas A&M University System to invest its idle cash, and in September 2013, the university transferred \$18 million to the Texas A&M University System. These funds had primarily been invested in short term cash, federal agency notes, and short term certificates of deposits. The funds will now be invested in the cash concentration pool at the Texas A&M University System. This move will result in a net increase in return from less than one percent to nearly three percent. The reallocation of invested cash is expected to increase annual interest earnings by \$150,000 to \$200,000.

The university retired bonded debt secured by Higher Education Assistance Funds (HEAF) received from the state on September 13, 2013. Currently, the university does not intend to leverage or commit future HEAF appropriations. Instead, the funds will be used to address deferred maintenance needs and to maintain and improve existing campus facilities. As a result, the university will have an additional \$1.4 million in annual state resources for renewal and replacement of its property, plant, and equipment.

The generous support from donors has allowed the university to continue current capital construction projects. The renovation of the Wichita Falls Museum of Art at Midwestern State University is now substantially complete and was completed under budget. The expansion of the McCoy Engineering building that will add additional classroom space and laboratories is also nearing completion. The university also plans to proceed with construction of a research facility on the Dalquest Research Station site, located in West Texas on the Presidio/Brewster County line, adjoining the Big Bend Ranch State Park.

### 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'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, 2013, 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 \$79,062 and \$84,289 for worker's compensation coverage for fiscal years ending August 31, 2012 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.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 17: Continued**

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 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 or joint ventures; however, there are two related 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 \$1,474,951 to the University during the year ended August 31, 2013, and \$1,025,884 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$830,279 to the University during the year ended August 31, 2013 and \$874,318 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2013 are reported by their trustees in the amount of \$17,993,000 and \$25,730,559, respectively.

**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, 2013, 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 Assets</u>
True Endowments	None	Restricted for Nonexpendable
Term Endowments	\$ 606,752	Restricted for Nonexpendable
True Endowments	None	Restricted for Expendable

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**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 Assets, are as follows:

Accounts Receivable Category	Current Amount
3rd Party Contracts on Student Receivables	\$ 913,073
Non-Student Receivables from Other Agencies	424,759
Other 3rd Party Contracts	2,499
Follett Bookstore Receivable	114,043
Employee Travel Advances	29,867
Payroll Advances and Receivables	1,503
Summer Camp Program Receivables	48,045
Miscellaneous Receivables	508
<b>Total</b>	<b>\$1,534,297</b>

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

**Note 25: Termination Benefits**

Not applicable.

**Note 26: Segment Information**

Not applicable.

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# Midwestern State University

Unaudited

## Schedule 1A - Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2013, with Comparative Totals for the Year Ended August 31, 2012

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	CFDA Number	ID #	Univ/ Agy #	Pass-Through From		
				Agency Amount	University Amount	Non State Entities Amount
<u>U.S. Department of the Interior</u>						
Pass-Through From:						
Stephen F. Austin State University						
National Land Remote Sensing-Education Outreach & Research	15.815		755			
<u>National Endowment for the Humanities</u>						
Direct Programs:						
Promotion of the Humanities-Division of Preservation and Access	45.149					
<u>Small Business Administration</u>						
Pass-Through From:						
TTU-Small Business Development Center	59.037		733		104,681	
<u>U.S. Department of Education</u>						
: Direct Program:						
Bilingual Education Professional Development	84.195					
Pass-Through From:						
THECB-Improving Teacher Quality State Grants	84.367		781			
Totals - U.S. Department of Education						
<u>U.S. Department of Health &amp; Human Services</u>						
Direct Program:						
Advanced Education Nursing Traineeships	93.358					
<u>National Science Foundation</u>						
			DMS			
			—			
			0846			
Mathematical and Physical Sciences	47.049		477			1,787



<u>Direct Program</u>	<u>Total Pass-Through From &amp; Direct Program</u>	<u>Pass-Through To</u>		<u>Expenditures</u>	<u>2013</u>	<u>2012</u>
		<u>Agency or Univ Amount</u>	<u>Non-State Entities Amount</u>		<u>Total PT To and Expenditures Amount</u>	<u>Total PT To and Expenditures Amount</u>
						\$ 2,428
						2,000
	104,681			104,681	104,681	144,276
118,997	118,997			118,997	118,997	256,845
						17,098
<u>118,997</u>	<u>118,997</u>			<u>118,997</u>	<u>118,997</u>	<u>273,943</u>
						18,600
	1,787			1,787	1,787	

# Midwestern State University

Unaudited

## Schedule 1A - Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended August 31, 2013 with Comparative Totals for the Year Ended August 31, 2012

	CFDA Number	ID #	Univ/ Agy #	Pass-Through From		
				Agency Amount	University Amount	Non State Entities
<b>Student Financial Assistance Cluster</b>						
<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					
Academic Competitiveness Grants	84.375					
Teacher Education Assistance for College & HE Grants	84.379					
Total Student Financial Assistance Cluster Programs						
<b>State Fiscal Stabilization Fund Cluster</b>						
<u>U.S. Department of Education</u>						
Pass-Through From:						
THECB-ARRA Government Services, Recovery Act	84.397					
<b>Teacher Quality Partnership Grants Cluster</b>						
<u>U.S. Department of Education</u>						
Teacher Quality Enhancement Grants	84.336					
<b>TRIO Cluster</b>						
<u>U.S. Department of Education</u>						
Direct Programs						
TRIO-Student Support Services	84.042					
TRIO-Upward Bound	84.047					
Totals—U.S. Department of Education						
Total Federal Financial Assistance					\$104,681	\$1,787

<b>Note 3a: Student Loans Processed and Administrative Cost</b>	New Loans Processed	Admin Costs Re- covered	Total Loans Processed and Admin Costs Recovered	Ending Balances of Previous Years' Loans
<u>Federal Grantor/CFDA Number/Program Name</u>				
U.S. Department of Education				
84.268 Federal Direct Student Loans Program	\$ 27,903,749			
84.038 Federal Perkins Loan Program				\$ 68,415
Total Department of Education	<u>\$ 27,903,749</u>			<u>\$ 68,415</u>

<b>Note 7: Federal Deferred Revenue</b>	Federal Deferred Revenue 09/01/12	Increase / (Decrease)	Federal Deferred Revenue 08/31/13
<u>CFDA Number/Program Name</u>			
<b>None for the Year Ended August 31, 2013</b>			

Direct Program	Total Pass-Through From & Direct Program	Pass-Through To		Expenditures	2013	2012
		Agency or Univ Amount	Non-State Entities Amount		Total PT To and Expenditures Amount	Total PT To and Expenditures Amount
\$ 163,034	\$ 163,034			\$ 163,034	\$ 163,034	\$ 162,380
98,516	98,516			98,516	98,516	116,819
8,040,933	8,040,933			8,040,933	8,040,933	8,793,999
27,903,749	27,903,749			27,903,749	27,903,749	29,317,084
<u>131,258</u>	<u>131,258</u>			<u>131,258</u>	<u>131,258</u>	<u>198,300</u>
<u>36,337,490</u>	<u>36,337,490</u>			<u>36,337,490</u>	<u>36,337,490</u>	<u>38,588,582</u>
						20,311
						120,716
204,722	204,722			204,722	204,722	222,747
						300,259
<u>204,722</u>	<u>204,722</u>			<u>204,722</u>	<u>204,722</u>	<u>523,006</u>
<u>\$36,661,209</u>	<u>\$36,767,677</u>			<u>\$36,767,677</u>	<u>\$36,767,677</u>	<u>\$39,693,862</u>

**Note 2: Reconciliation**

	<u>08/31/2013</u>
Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	\$ 716,527
Federal Grant Revenue - Non-Operating	8,040,933
Federal Pass-through Revenue-Operating	106,468
Federal Pass-through Revenue-Non-Operating	
Total Federal Revenues	<u>8,863,928</u>
Reconciling Items: New Loans Processed	
Federal Perkins Loans Processed	
Federal Direct Student Loans Processed	<u>27,903,749</u>
	<u>\$36,767,677</u>

# Midwestern State University

Unaudited

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

<u>Operating Revenue:</u>	<u>2013</u>	<u>2012</u>
Pass Through From:		
UT System (Agy #720)		
Joint Admission Medical Program (JAMP)	\$ 5,286	\$ (1,542)
Texas Higher Education Coordinating Board (Agy #781)		
5th Year Accounting		5,000
College Work Study Program	28,542	28,050
Early High School Program HB 1479		16,952
Nursing & Allied Health	(33,324)	190,829
Professional Nursing Shortage Reduction Program	15,423	(137,152)
Texas Grants Program	2,870,000	2,268,333
Top 10% Scholarships	228,000	184,000
Total Operating Pass Through Revenue (Exhibit II)	<u>\$3,113,927</u>	<u>\$2,554,470</u>
Pass Through To:		
None		

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# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2A - Miscellaneous Bond Information**  
**For the Fiscal Year Ended August 31, 2013**

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 Bonds:</u>					
<b>Constitutional Appropriation Bonds:</b> Series 2004	\$ 11,185,000	2.75% - 3.75%	2005	2013	None
<u>Revenue Bonds:</u>					
<b>Revenue Financing System Revenue Bonds:</b> Series 2002	8,965,000	4.00% - 5.00%	2003	2021	12-01-12
<b>Building Revenue &amp; Refunding Bonds:</b> Series 2003	13,180,000	2.00% - 5.00%	2003	2024	12-01-13
<b>Revenue and Refunding Bonds:</b> Series 2007	28,855,000	4.00% - 4.625%	2008	2032	12-01-16
<b>Revenue Financing System Revenue Bonds:</b> Series 2008	38,300,136	3.00% - 5.25%	2008	2034	12-01-18
<b>Revenue Financing System Revenue Bonds:</b> Series 2010	6,700,000	4.00% - 5.00%	2012	2036	12-01-20
<b>Revenue and Refunding Bonds:</b> Series 2012A	4,710,000	2.00% - 2.25%	2013	2020	12-01-20
<b>Revenue and Refunding Bonds:</b> Series 2012B	5,415,000	0.50% - 3.25%	2013	2024	12-01-24
<b>Total</b>	<b>\$117,310,136</b>				

Year Ended 8-31-2013 (UNAUDITED)

# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2B - Changes in Bonded Indebtedness**  
**For the Fiscal Year Ended August 31, 2013**

ANNUAL FINANCIAL REPORT

Description of Issue	Bonds Outstanding 09-01-2012	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2013	Amounts Due Within One Year
<b><u>General Obligation Bonds:</u></b>						
Constitutional Appropriation Bonds:						
Series 2004	\$ 2,860,000		\$1,405,000		\$ 1,455,000	\$1,455,000
<b><u>Revenue Bonds:</u></b>						
Revenue Financing System Revenue Bonds:						
Series 2002	5,510,000		445,000	4,600,000	465,000	465,000
Building Revenue and Refunding Bonds:						
Series 2003	7,925,000		760,000	4,945,000	2,220,000	790,000
Revenue and Refunding Bonds:						
Series 2007	24,605,000		1,290,000		23,315,000	1,350,000
Revenue Financing System Revenue Bonds:						
Series 2008	35,775,670	\$99,084 *	1,055,000		34,819,754	1,095,000
Revenue Financing System Revenue Bonds:						
Series 2010	6,550,000		155,000		6,395,000	160,000
Revenue and Refunding Bonds:						
Series 2012A		4,710,000	155,000		4,555,000	125,000
Revenue and Refunding Bonds:						
Series 2012B		5,415,000	120,000		5,295,000	70,000
Total	<u>\$83,225,670</u>	<u>\$10,224,084</u>	<u>\$5,385,000</u>	<u>9,545,000</u>	<u>\$78,519,754</u>	<u>\$5,510,000</u>

Year Ended  
8-31-2013  
(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 08-31-2013</u>	<u>Amounts Due Within One Year</u>
			\$ 1,455,000	
			465,000	
			2,220,000	
	(\$234,222)		23,080,778	(\$12,344)
\$ 323,537			35,143,291	69,903
			6,395,000	
			4,555,000	
			5,295,000	
<u>\$ 323,537</u>	<u>(\$234,222)</u>		<u>\$78,609,069</u>	<u>\$57,559</u>

# Midwestern State University

Unaudited

Midwestern State University  
Schedule 2C - Debt Service Requirements  
For the Fiscal Year Ended August 31, 2013

Business Type Activities

Description of Issue	2014	2015	2016	2017	2018
<b>General Obligation Bonds:</b>					
<b>Constitutional Appropriation Bonds:</b>					
<b>Series 2004</b>					
Principal	\$ 1,455,000				
Interest	27,281				
<b>Revenue Bonds:</b>					
<b>Revenue Financing System Revenue Bonds:</b>					
<b>Series 2002</b>					
Principal	465,000				
Interest	9,881				
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2003</b>					
Principal	790,000	830,000	600,000		
Interest	85,475	47,888	13,050		
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2007</b>					
Principal	1,350,000	1,400,000	1,455,000	1,515,000	1,580,000
Interest	979,933	924,933	866,014	804,795	742,895
<b>Revenue Financing System Revenue Bonds:</b>					
<b>Series 2008</b>					
Principal	1,095,000	1,140,000	1,180,000	1,205,000	1,230,000
Interest	1,566,589	1,523,258	1,476,858	2,313,122	1,428,657
<b>Revenue Financing System Revenue Bonds:</b>					
<b>Series 2010</b>					
Principal	160,000	170,000	180,000	185,000	195,000
Interest	291,106	284,506	276,606	267,481	257,981
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2012A</b>					
Principal	125,000	605,000	615,000	630,000	645,000
Interest	91,350	84,050	71,850	59,400	46,650
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2012B</b>					
Principal	70,000	70,000	70,000	515,000	520,000
Interest	131,490	131,015	130,337	126,113	117,779
Total	8,693,105	7,210,650	6,934,715	7,620,911	6,763,962
Less Interest	(3,183,105)	(2,995,650)	(2,834,715)	(3,570,911)	(2,593,962)
Total Principal	\$ 5,510,000	\$ 4,215,000	\$ 4,100,000	\$ 4,050,000	\$ 4,170,000

Year  
Ended  
8-31-2013  
(UNAUDITED)



<u>2019-23</u>	<u>2024-28</u>	<u>2029-33</u>	<u>2034-38</u>	<u>Total Requirements</u>
				\$ 1,455,000
				27,281
				465,000
				9,881
				2,220,000
				146,413
5,955,000	6,590,000	3,470,000		23,315,000
2,889,371	1,570,437	377,631		9,156,009
6,980,000	8,725,000	10,430,000	3,325,000	35,310,000
6,322,338	4,572,725	2,262,725	136,106	21,602,378
1,125,000	1,390,000	1,730,000	1,260,000	6,395,000
1,133,431	832,963	491,110	89,263	3,924,447
1,935,000				4,555,000
60,600				413,900
2,810,000	1,240,000			5,295,000
399,750	40,360			1,076,844
29,610,490	24,961,485	18,761,466	4,810,369	115,367,153
(10,805,490)	(7,016,485)	(3,131,466)	(225,369)	(36,357,153)
<u>\$18,805,000</u>	<u>\$ 17,945,000</u>	<u>\$ 15,630,000</u>	<u>\$ 4,585,000</u>	<u>\$ 79,010,000</u>
			Less Unamortized Accretion	(490,246)
				<u>\$ 78,519,754</u>

# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2D - Analysis of Funds Available for Debt Service**  
**For the Year Ended August 31, 2013**

ANNUAL FINANCIAL REPORT

**Business Type Activities**  
**Description of Issue**

	Application of Funds			
<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>		
<b>Constitutional Appropriation</b>				
Bond - Series 2004	\$ 1,405,000	\$ 79,150		
			Pledged and Other Sources and Related Expenditures for FY 2013	
			Net Available for Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures And Capital Outlay	Debt Service	
<u>Revenue Financing System Revenue Bonds</u>			Principal	Interest
<b>Revenue Financing System</b>				
Revenue Bonds: Series 2002			\$ 445,000	\$ 29,775
<b>Building Revenue &amp; Refunding</b>				
Bonds: Series 2003			760,000	116,475
<b>Revenue and Refunding Bonds:</b>				
Series 2007			1,290,000	1,032,733
<b>Revenue Financing System</b>				
Revenue Bonds: Series 2008			1,055,000	1,605,583
<b>Revenue Financing System</b>				
Revenue Bonds: Series 2010		\$434,556	155,000	297,406
<b>Revenue and Refunding Bonds:</b>				
Series 2012A			155,000	60,123
<b>Revenue and Refunding Bonds:</b>				
Series 2012B			120,000	84,951
<b>Total for all Revenue Financing System Revenue Bonds</b>	\$63,644,094	\$434,556	\$ 3,980,000	\$ 3,227,046

Year Ended  
8-31-2013  
(UNAUDITED)

# Midwestern State University

Unaudited

Midwestern State University  
 Schedule 2E - Defeased Bonds Outstanding  
 For the Fiscal Year Ended August 31, 2013

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<b>Business Type Activities</b>	<b>Year</b>	<b>Par Value</b>
<u>Description of Issue</u>	<u>Refunded</u>	<u>Outstanding</u>
Revenue Financing System Revenue Bonds		
Revenue Financing System Revenue Bonds		
Series 2002	2013	\$4,600,000
Revenue Financing System Revenue and Refunding Bonds		
Series 2003	2013	<u>4,945,000</u>
Total Defeased Bonds		<u>\$9,545,000</u>

# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2F - Early Extinguishment and Refunding**  
**For the Fiscal Year Ended August 31, 2013**

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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)
<u>Revenue Bonds:</u>					
Revenue Financing System Bonds					
Series 2002	Current Refunding	\$4,600,000	\$ 4,710,000	\$ (799,283)	\$ 626,996
Series 2003	Advance Refunding	<u>4,945,000</u>	<u>5,415,000</u>	<u>(514,061)</u>	<u>434,210</u>
Total		<u>\$9,545,000</u>	<u>\$10,125,000</u>	<u>\$(1,313,344)</u>	<u>\$1,061,206</u>

# Midwestern State University

Unaudited

**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 2013	Prior Year 2012
General Revenue - Dedicated Fund 0264	\$ 4,508,479		\$ 4,508,479	\$ 4,571,688
Special Mineral Fund - Fund 0412				9,874
<b>Total Cash in State Treasury (Stmnt of Net Position)</b>	<b>\$ 4,508,479</b>		<b>\$ 4,508,479</b>	<b>\$ 4,581,562</b>

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