



# **Midwestern State University**

**Financial Report  
(Unaudited)  
For the Year Ended  
August 31, 2016**

# Midwestern State University

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

November 17, 2016

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, State Comptroller  
Ursula Parks, Director, Legislative Budget Board  
Lisa Collier, CPA, CFE, CIDA, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of Midwestern State University for the year ended August 31, 2016, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

Suzanne Shipley  
President



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

November 17, 2016

Dr. Suzanne Shipley, President  
Midwestern State University  
Wichita Falls, TX 76308

Dear Dr. Shipley,

Submitted herein is the Annual Financial Report of Midwestern State University for the fiscal year ended August 31, 2016.

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

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

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

Respectfully Submitted,

---

Chris Stovall  
Controller

Approved:

---

Marilyn Fowlé, Vice President  
Administration and Finance

# Midwestern State University

ORGANIZATIONAL DATA  
August 31, 2016

THE BOARD OF REGENTS

Term Expires May 31, 2017

Ms. Lindsey Shelley, Student Regent                      Wichita Falls

Term Expires February 25, 2018

Dr. F. Lynwood Givens    Plano  
Mr. Jeff Gregg    Seymour  
Mr. Samuel M. Sanchez    Keller

Term Expires February 25, 2020

Mr. R. Caven Crosnoe    Wichita Falls  
Mr. Shawn G. Hessing    Fort Worth  
Ms. Nancy Marks    Wichita Falls

Term Expires February 25, 2022

Mr. Warren T. Ayres    Wichita Falls  
Ms. Tiffany D. Burks    Grand Prairie  
Dr. Shelley Sweatt    Wichita Falls

Ms. Kathryn A. Yeager, Regent Emeritus  
Mr. Mac Cannedy, Jr., Regent Emeritus

PRESIDENT

Dr. Suzanne Shipley

UNIVERSITY FISCAL OFFICERS

Dr. Marilyn Fowlé    Vice President for Administration & Finance  
Mr. Chris Stovall, CPA    Controller

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# Midwestern State University

## Management's Discussion & Analysis - Unaudited

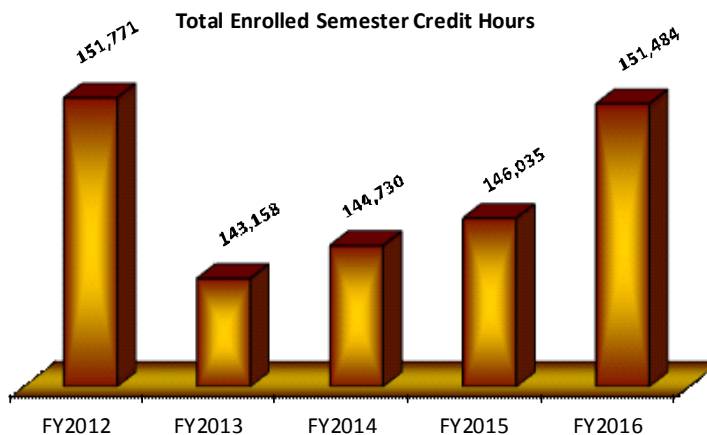
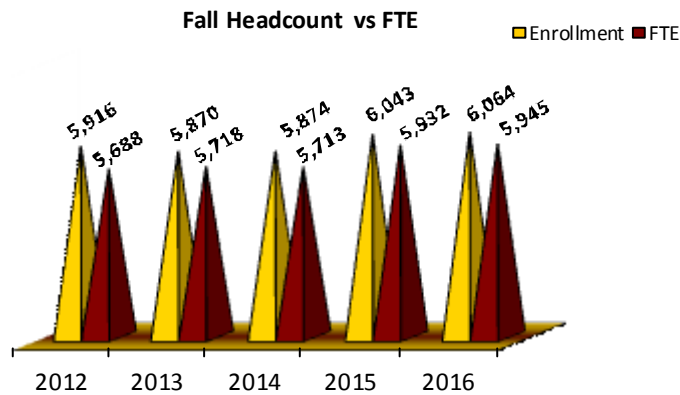
The objective of Management's Discussion and Analysis is to help readers of Midwestern State University's financial statements better understand the financial position and operating activities of the university for the fiscal years ended August 31, 2016 and 2015.

Management has prepared the financial statements and related footnote disclosures, along with the discussion and analysis in this section. Responsibility for completeness and fairness of this information rests with the university's administration. The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

In 2011, the university changed its academic standards to ensure that its incoming students were prepared to pursue higher education. These increased academic standards and a decline in local college age population explain the decrease in total student enrollment and full time equivalent (FTE), which lasted until 2014 and is illustrated in the graphs below. MSU has recently implemented an aggressive recruitment plan, including more concentrated efforts toward students from the DFW Metroplex, which has led to the increase in enrollment and semester credit hours. The university expects large incoming residential classes to continue, largely due to the fall 2016 opening of Legacy Hall, a new 500-bed freshman residence hall, which created more capacity for housing residential students from outside of the local geographic area.

The increase in academic standards mentioned above also created growth in student retention, as freshmen students are more adequately prepared for college, which has led to improved graduation rates. The graduation rate may become financially important to MSU, as future state appropriations are likely to be contingent upon such successful outcomes. In addition, MSU is one of the few Texas state institutions capable of assessing a rate of only \$65.00 per semester credit hour on top of the in-state tuition rate for all US citizens, which will have a great positive impact on future enrollment.

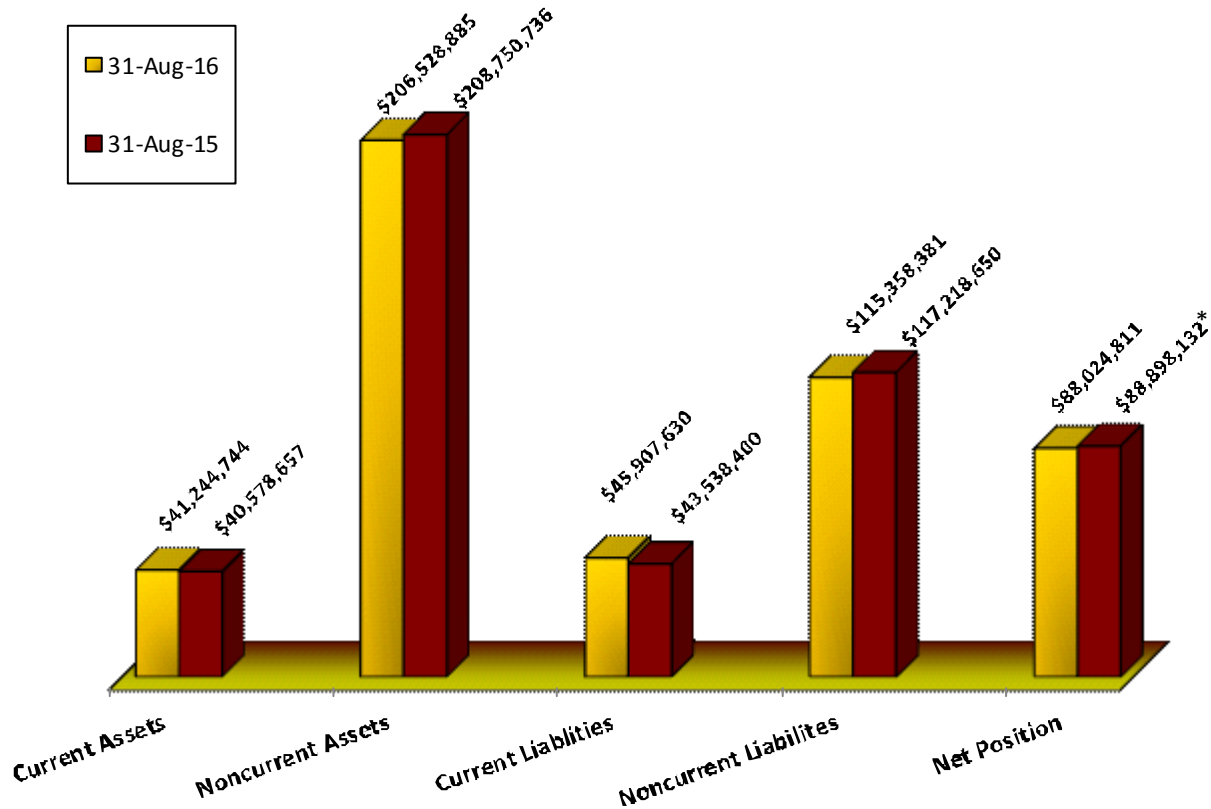
ANNUAL FINANCIAL REPORT



# Midwestern State University

## Management's Discussion & Analysis - Unaudited

The Statement of Net Position



By reporting information on the university as a whole, these comparative statements highlight for the reader whether the year's activities strengthened or weakened the university's financial position. When revenues and other support exceed expenses, the result is an increase in net position. The relationship between revenues and expenses may be thought of as the university's operating results.

These comparative statements report the current status and changes to the university's net position. Net position, the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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. One of the primary reasons for the unusually large decrease in net position from 2015 to 2016 was due to the implementation of GASB Statement No. 68, *Accounting and Reporting for Pensions—An Amendment of GASB Statement No. 27* and the simultaneous implementation of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. More specific information about this change in accounting principle can be found in Note 9. As the statement on the adjacent page shows, the university's net position decreased a total of \$873,321.33, from \$88,898,132.01\* in 2015 to \$88,024,810.68 in 2016.

\*Amount has been changed to reflect amount reported by the State in the previous year's CAFR.

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

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### The Statement of Net Position

	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>	\$ 41,244,744.05	\$ 40,578,657.40
<b>Noncurrent Assets:</b>		
Capital Assets	147,917,359.70	124,052,995.91
Other	<u>58,611,525.51</u>	<u>84,697,739.91</u>
<b>Total Assets</b>	<u>247,773,629.26</u>	<u>249,329,393.22</u>
<b>Deferred Outflows of Resources:</b>		
Related to Pension Contributions	1,962,532.00	1,424,125.34*
Unamortized Loss on Debt Refunding	<u>625,682.30</u>	<u>1,251,364.61</u>
<b>Total Deferred Outflows of Resources</b>	<u>2,588,214.30</u>	<u>2,675,489.95</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$250,361,843.56</u>	<u>\$252,004,883.17</u>
<b>Current Liabilities</b>	45,907,630.33	43,538,399.53
<b>Noncurrent Liabilities</b>	<u>115,358,380.55</u>	<u>117,218,650.25</u>
<b>Total Liabilities</b>	<u>161,266,010.88</u>	<u>160,757,049.78</u>
<b>Deferred Inflows of Resources:</b>		
Related to Pension Contributions	<u>1,071,022.00</u>	<u>2,349,701.38</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,071,022.00</u>	<u>2,349,701.38</u>
<b>Total Liabilities and Deferred Inflows</b>	<u>162,337,032.88</u>	<u>163,106,751.16</u>
<b>Net Position:</b>		
Invested in Capital Assets	45,998,234.47	49,444,345.29
<u>Restricted for:</u>		
Debt Retirement		
Nonexpendable	4,706,845.11	4,463,100.97
<u>Expendable:</u>		
Capital Projects	421,541.43	748,463.68
Restricted by Contributor	11,700,369.72	11,669,327.71
Unrestricted	<u>25,197,819.95</u>	<u>22,572,894.36*</u>
<b>Total Net Position</b>	<u>88,024,810.68</u>	<u>88,898,132.01</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$250,361,843.56</u>	<u>\$252,004,883.17</u>

Year  
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8-31-2016  
(UNAUDITED)

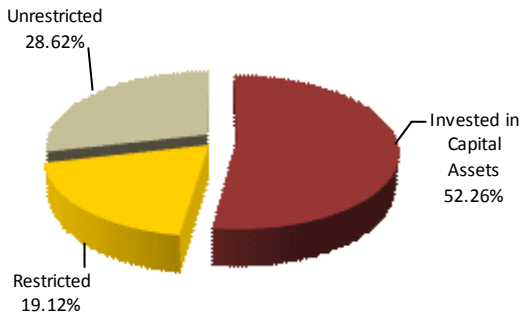
\*Amounts have been changed to reflect amounts reported by the State in the previous year's CAFR.



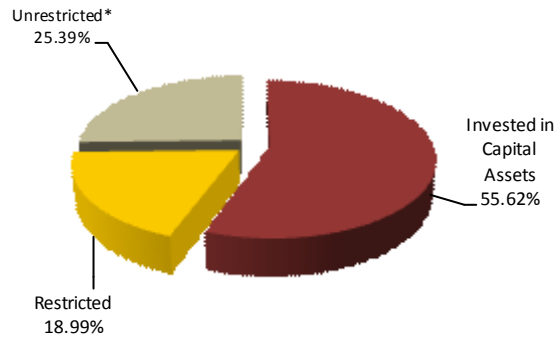
# Midwestern State University Management's Discussion & Analysis - Unaudited

The following charts indicate changes in net position for the years ended August 31, 2016 and August 31, 2015.

**Net Position - August 31, 2016**

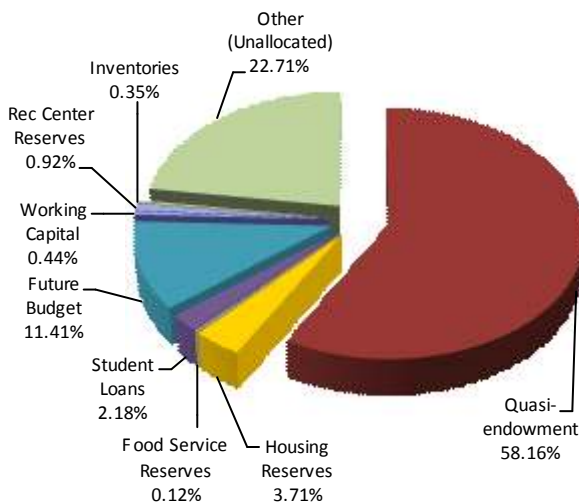


**Net Position - August 31, 2015**

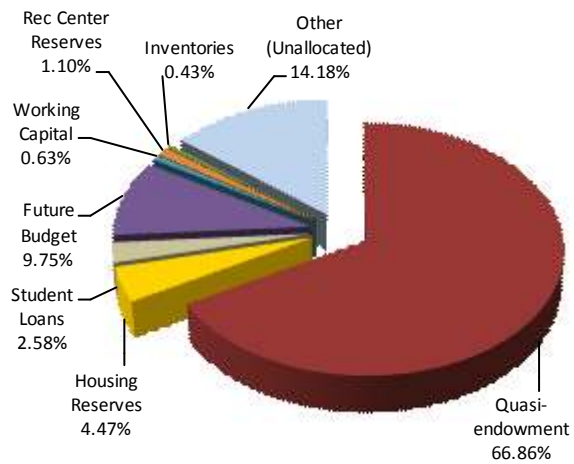


The university reports 28.62% of total net position as unrestricted for the year ended August 31, 2016 and 25.39%\* for the previous year. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how the funds have been allocated:

**Allocation of Unrestricted Net Position  
August 31, 2016**



**Allocation of Unrestricted Net Position  
August 31, 2015**



\*Amount has been changed to reflect amounts reported by the State in the previous year's CAFR.

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### The University's Results of Operations

The Statement of Revenues, Expenses, and Changes in Net Position reflects the university's operating results for the fiscal years ended August 31, 2016 and 2015. 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 as 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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
<b>Operating Revenue:</b>		
Net Tuition and Fees	\$ 34,325,243.68	\$32,477,812.01
Grants and Contracts	5,965,480.02	4,610,873.81
Sales and Services of Educational Activities	1,466,963.62	1,541,883.97
Sales and Services of Auxiliary Enterprises	10,593,925.58	9,988,279.06
Other	<u>1,362,160.96</u>	<u>1,322,818.00</u>
Total Operating Revenue	53,713,773.86	49,941,666.85
<b>Total Operating Expenses</b>	<u>(98,632,482.71)</u>	<u>(95,238,573.77)*</u>
Operating Loss	(44,918,708.85)	(45,296,906.92)
<b>Non-Operating Revenues (Expenses):</b>		
State Appropriations	18,462,224.00	17,012,175.00
Other State Appropriations	5,881,343.01	5,052,929.85
Federal Grants	8,529,342.03	8,474,924.37
Federal Pass-Through Grants	4,136.47	7,552.94
State Pass-Through Grants from Other Agencies	14,289.23	99,871.00
Gifts	5,585,562.86	5,091,510.26
Insurance Recovery in Subsequent Year	135,603.57	
Other Non-Operating Revenues (Expenses)	22,179.39	22,030.48
Investment Income	2,029,915.15	1,622,537.91
Net Increase (Decrease) in Fair Value of Investments	701,226.06	(2,423,268.69)
Debt Issuance Costs		(510,499.52)
Net Book Value of Capital Asset Disposals	(29,137.65)	(1,589.78)
Interest Expense on Capital Asset Financing	<u>(3,822,005.65)</u>	<u>(3,060,795.48)</u>
Total Non-Operating Revenue (Expense)	37,514,678.47	31,387,378.34
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(7,404,030.38)	(13,909,528.58)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	22,540.00	759,760.00
HEAF Appropriation	3,374,275.00	3,559,433.00
Additions to Endowments	250,444.48	465,998.96
Transfers In	3,368,496.10	84,890.00
Transfers Out	<u>(485,046.53)</u>	<u>(840,840.94)</u>
<b>Increase (Decrease) in Net Position</b>	<u>(873,321.33)</u>	<u>(9,880,287.56)</u>
<b>Net Position, Beginning of Year</b>	88,898,132.01	107,486,220.84
Restatements		(8,707,801.27)
Net Position, Beginning of Year, Restated		98,778,419.57
<b>Net Position, End of Year</b>	<u><b>\$88,024,810.68</b></u>	<u><b>\$88,898,132.01</b></u>

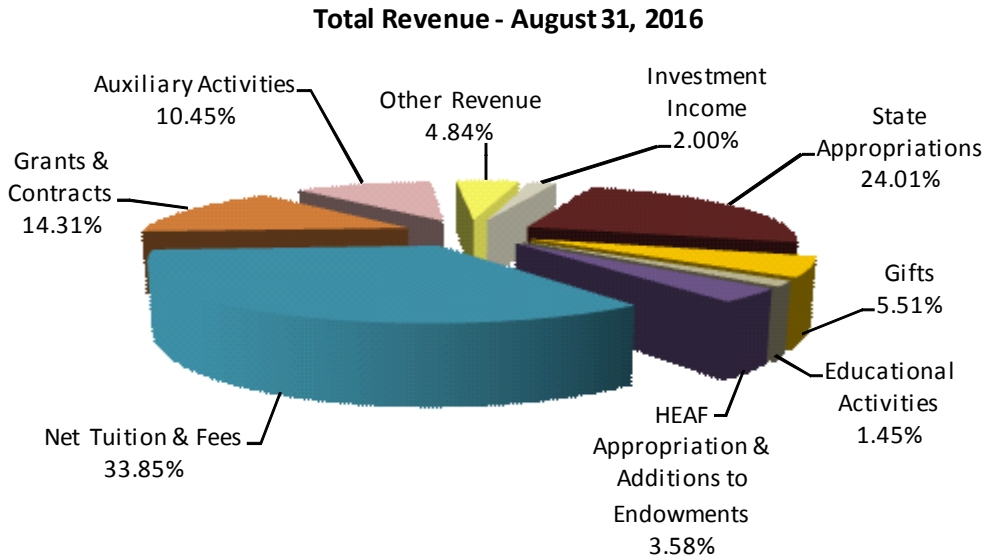
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(UNAUDITED)

\*Amount has been changed to reflect an adjustment to pension expense reported by the State in the previous year's CAFR.

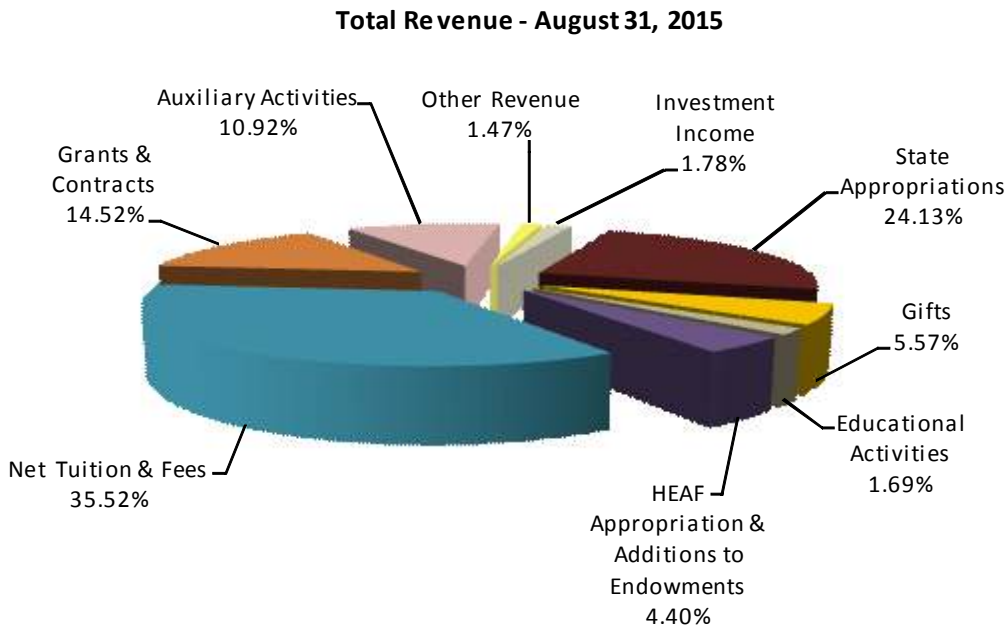
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# Midwestern State University Management's Discussion & Analysis - Unaudited

This chart identifies the components of total revenue for the year ended August 31, 2016.



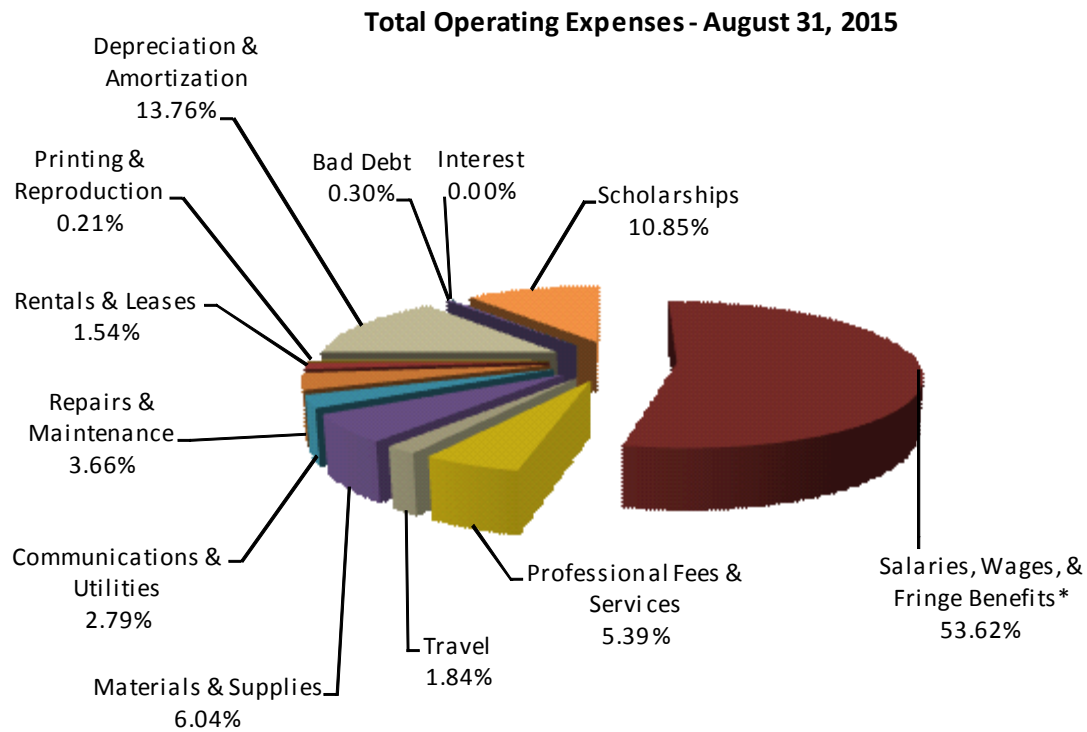
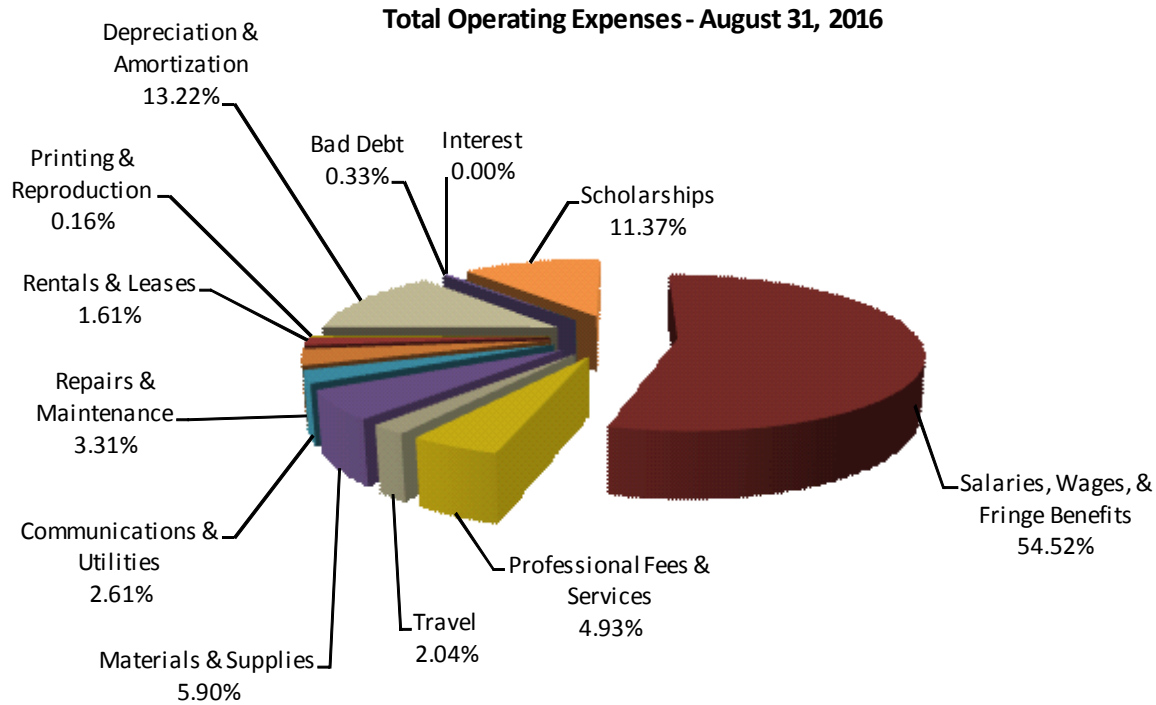
This chart reflects the same information for the year ended August 31, 2015.



# Midwestern State University

## Management's Discussion & Analysis - Unaudited

Total operating expenses for fiscal years 2016 and 2015 were \$98,632,482.71 and \$95,238,573.77\*, respectively. The following charts compare the fiscal year 2016 distribution of operating expenses to those in fiscal year 2015.



\*Amount has been changed to reflect an adjustment to pension expense reported by the State in the previous year's CAFR.

# 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>2016</u>	<u>2015</u>
Cash provided (used) by:		
Operating activities	\$(29,899,707.74)	\$(28,023,345.25)*
Noncapital financing activities	38,079,601.49	34,226,166.27
Capital and related financing activities	(37,620,065.57)	29,119,828.81
Investing activities	<u>29,316,815.18</u>	<u>(34,287,813.95)</u>
Net increase (decrease) in cash	<u>(123,356.64)</u>	<u>1,034,835.88</u>
Cash – Beginning of year	<u>8,241,461.62</u>	<u>7,206,625.74</u>
<b>Cash – End of year</b>	<b><u>\$ 8,118,104.98</u></b>	<b><u>\$ 8,241,461.62</u></b>

There was a net decrease in cash of \$123,356.64.

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 \$33.11 million, grants accounted for \$5.9 million, and auxiliary enterprises, including housing and dining, accounted for \$11.4 million.

State appropriations in the amount of \$24.9 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 \$4.5 million, additions to endowments in the amount of \$250 thousand, and \$8.5 million in Federal non-operating grants.

Higher Education Assistance Funds (HEAF) appropriations in the amount of \$3.3 million were the primary sources of capital and related financing activities. Payments of \$33.7 million for additions to capital assets were primarily from the completion of Legacy Hall.

Proceeds from sales and maturities of investments within the investing section of the cash flows statement included \$28.8 million in expended bond proceeds to construct Legacy Hall. These bond proceeds are invested in a flexible repurchase agreement with Bayerische Landesbank (BLB).

ANNUAL FINANCIAL REPORT

\*Amount has been changed to reflect amount reported by the State in the previous year's CAFR.

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### Capital Assets and Debt Administration

#### Capital Assets

As of August 31, 2016, the university had \$147.9 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$153.2 million. Depreciation and amortization charges totaled \$13 million for the current fiscal year. The category of other capital assets includes library holdings, artwork, and collections. Assets by classification are shown below:

#### Capital Assets Before Accumulated Depreciation and Amortization

	<u>2016</u>	<u>2015</u>
Land and Land Improvements	\$ 5,946,107.70	\$ 5,946,107.70
Construction in Progress	2,529,429.48	4,795,023.22
Buildings and Building Improvements	225,296,633.92	191,031,306.65
Infrastructure	12,823,874.86	12,823,874.86
Facilities Improvements	12,836,917.09	8,768,106.97
Furniture and Equipment	13,937,975.53	13,499,924.46
Vehicles	1,955,863.94	1,981,491.79
Computer Software	10,730,009.48	10,730,009.48
Other Capital Assets	15,128,167.40	15,353,889.47
<b>Total</b>	<b><u>\$301,184,979.40</u></b>	<b><u>\$264,929,734.60</u></b>

Additions to assets of \$36.9 million during fiscal year 2016 included: completion of the new residence housing (Legacy Hall), exterior staircase renovations to Prothro-Yeager College of Humanities and Social Sciences, addition of intramural sports fields, completion of a parking lot at the West Campus Annex, purchase of two houses on Hampstead Lane near the Police Department, and renovations to the Central Plant.

The construction in progress at the end of the year includes: renovations to the Fain Fine Arts Center to expand the mass communications program, the beginnings of the planning phase of the new College of Health Sciences and Human Services, renovations across campus (starting with Bolin Hall) to comply with specifications established by the Fire Marshall and ADA, and new construction of the intramural basketball courts.

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

#### Debt

At year-end, the university had \$163.8 million in outstanding debt. Outstanding debt for the year ended August 31, 2015 was \$172 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2016 compared with August 31, 2015.

	<u>2016</u>	<u>2015</u>
Revenue Bonds	\$103,923,362.76	\$107,938,327.61
Accrued long term interest payable on bonds	59,886,353.98	64,151,824.60
<b>Total</b>	<b><u>\$163,809,716.74</u></b>	<b><u>\$172,090,152.21</u></b>

Debt repayments made during the year included principal in the amount of \$4,170,000.00 and interest in the amount of \$4,265,470.60.

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, 2E and 2F.

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(UNAUDITED)

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### Factors Affecting the Future of Midwestern State University

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

#### INTERNAL STRENGTHS

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

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

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

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

#### EXTERNAL ENVIRONMENT

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

#### LOCAL AND STATE DEMOGRAPHICS

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

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

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

#### PREPARATION OF STUDENTS

A sizable proportion of students seeking admission to MSU will need additional preparation and academic support for college-level work through math and reading bridge programs and a robust tutoring program throughout their undergraduate preparation.

MSU will provide targeted initiatives to attain retention goals as we seek to serve a large population of admitted students from groups such as first-generation college students, students from lower socioeconomic backgrounds, and students who need to seek outside employment to complete their college education.

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# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### TECHNOLOGY

Technological change will continue to be 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 receives close to 25% of its funding from the State of Texas, which helps the university maintain affordable tuition, even as costs increase. Capital investment to keep pace with technology is needed and, if state or federal financial aid dollars diminish, the demand for university financial aid support will increase.

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

MSU realized increased enrollment of .35%, or 21 students, for the fall 2016 term. Of this, the first-time full-time (FTFT) cohort was 735 and the entering transfer student cohort was 537. In addition, Graduate School enrollment was 745 students.

The incoming FTFT cohort is largely residential in nature with 74.8% of students originating in areas other than Wichita County. The proportion of the class includes 38.4% from DFW, which is a proportional increase of 3.4%; 3.4% from Houston; 3.7% from Austin; and 25.2% from Wichita County. A new 500-bed residence hall opened in the fall 2016 term, which should address housing needs until a projected housing deficit returns in fall 2019. Housing has witnessed a 143% increase in capacity since 2002.

In addition to domestic students, international student enrollment has increased and now represents 9.7% of overall enrollment. The incoming international student class is comprised of 122 students from 27 different countries. Overall, there are 589 international students from 52 different countries attending MSU.

MSU expects the large incoming residential classes to continue, largely fueled by MSU's unique offerings and niche, proximity to DFW, and the growth expected to continue in the DFW Metroplex. To this end, a DFW-based Assistant Director of Admissions began in October 2015, with plans to add DFW-based Admissions Counselors over the next three years. Additionally, MSU is completing plans to create a campus in Flower Mound, adjacent the campus of North Central Texas College (NCTC), in order to offer degree completion and graduate programs starting in fall 2017.

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<b>Deferred Outflows of Resources:</b>	<b>2016</b>	<b>2015</b>
Deferred Outflows-Related to Pension Contributions	\$ 1,962,532.00	\$ 1,424,125.34*
Deferred Outflows-Unamortized Loss on Debt Refunding	625,682.30	1,251,364.61
<b>Total Deferred Outflows of Resources</b>	<b>2,588,214.30</b>	<b>2,675,489.95</b>
<b>Total Assets and Deferred Outflows</b>	<b>250,361,843.56</b>	<b>252,004,883.17</b>

#### LIABILITIES AND DEFERRED INFLOWS

<b>Current Liabilities:</b>		
Accounts Payable	6,291,778.54	6,572,412.31
Accrued Payroll Payable	4,707,142.35	4,538,469.02
Employees' Compensable Leave	199,373.81	164,468.13
Room/Property Deposits	64,220.64	67,489.39
Unearned Revenues	29,046,309.82	27,187,568.53
Retainages and Contracts	1,545,059.30	213,934.54
Funds Held for Others	151,162.97	128,672.98
Capital Lease	33,822.50	27,508.82
Due to Other Agencies (SECO Loan)	272,198.10	266,821.51
Unamortized Premium on 2008 Rev Bonds	61,274.39	105,902.49
Unamortized Premium on 2015A Rev Bonds	95,151.81	95,151.81
Revenue Bonds Payable	3,440,136.10	4,170,000.00
<b>Total Current Liabilities</b>	<b>45,907,630.33</b>	<b>43,538,399.53</b>
<b>Noncurrent Liabilities:</b>		
Employees' Compensable Leave	1,510,308.41	1,553,537.19
Net Pension Liability	9,618,302.00	7,687,154.17
Room/Property Deposits	192,661.90	192,799.15
Capital Lease		34,326.25
Due to Other Agencies (SECO Loan)	984,782.85	1,256,980.95
Unamortized Premium on 2008 Rev Bonds		61,274.39
Unamortized Premium on 2015A Rev Bonds	2,569,098.73	2,664,250.54
Revenue Bonds Payable	100,483,226.66	103,768,327.61
<b>Total Noncurrent Liabilities</b>	<b>115,358,380.55</b>	<b>117,218,650.25</b>
<b>Total Liabilities</b>	<b>161,266,010.88</b>	<b>160,757,049.78</b>
<b>Deferred Inflows of Resources:</b>		
Deferred Inflows-Related to Pension Contributions	1,071,022.00	2,349,701.38
<b>Total Deferred Inflows of Resources</b>	<b>1,071,022.00</b>	<b>2,349,701.38</b>
<b>Total Liabilities and Deferred Inflows</b>	<b>162,337,032.88</b>	<b>163,106,751.16</b>

#### NET POSITION

Net Investment in Capital Assets	45,998,234.47	49,444,345.29
Restricted for:		
Debt Retirement		
Nonexpendable	4,706,845.11	4,463,100.97
<u>Expendable:</u>		
Capital Projects	421,541.43	748,463.68
Restricted by Contributor	11,700,369.72	11,669,327.71
Unrestricted	25,197,819.95	22,572,894.36
<b>Total Net Position</b>	<b>88,024,810.68</b>	<b>88,898,132.01</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$250,361,843.56</b>	<b>\$252,004,883.17</b>

\*Amounts have been changed to reflect amounts reported by the State in the previous year's CAFR.

# 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

### Operating Revenues:

	<u>2016</u>	<u>2015</u>
Student Tuition and Fees (net of scholarship allowances of \$12,963,800.63 and \$11,906,532.28, respectively)	\$ 34,325,243.68	\$32,477,812.01
Federal Grants	712,557.07	613,880.35
Federal Pass-Through Grants	106,993.93	120,828.05
State Pass-Through Grants from Other State Agencies	4,512,922.51	3,326,187.85
Other Grants and Contracts	633,006.51	549,977.56
Sales and Services of Educational Activities	1,466,963.62	1,541,883.97
Sales and Services of Auxiliary Enterprises	10,593,925.58	9,988,279.06
Other Operating Revenue	1,362,160.96	1,322,818.00
<b>Total Operating Revenues</b>	<u>53,713,773.86</u>	<u>49,941,666.85</u>

### Operating Expenses:

Salaries and Wages	40,741,296.38	39,781,931.21
Payroll Related Costs	13,037,057.33	11,284,211.61*
Professional Fees and Services	4,867,293.16	5,136,289.17
Travel	2,010,141.52	1,752,044.43
Materials and Supplies	5,821,426.14	5,751,701.44
Communications and Utilities	2,572,408.10	2,659,866.40
Repairs and Maintenance	3,264,099.19	3,483,818.91
Rentals and Leases	1,583,862.82	1,470,843.76
Printing and Reproduction	157,379.18	197,216.53
Depreciation and Amortization	13,036,762.29	13,102,589.95
Bad Debt Expense	328,175.88	286,150.73
Interest	2,766.08	1,378.62
Scholarships	11,209,814.64	10,330,531.01
<b>Total Operating Expenses</b>	<u>98,632,482.71</u>	<u>95,238,573.77</u>

### Operating Loss

(44,918,708.85) (45,296,906.92)

### Non-Operating Revenues (Expenses):

State Appropriations	18,462,224.00	17,012,175.00
Additional State Appropriations	5,910,682.92	5,052,929.85
Legislative Appropriations Lapsed	(29,339.91)	
Federal Grants	8,529,342.03	8,474,924.37
Federal Pass-Through Grants	4,136.47	7,552.94
State Pass-Through Grants from Other State Agencies	14,289.23	99,871.00
Gifts	5,585,562.86	5,091,510.26
Insurance Recovery in Subsequent Year	135,603.57	
Other Non-Operating Revenues (Expenses)	22,179.39	22,030.48
Investment Income	2,029,915.15	1,622,537.91
Net Increase (Decrease) in Fair Value of Investments	701,226.06	(2,423,268.69)
Debt Issuance Costs		(510,499.52)
Net Book Value of Capital Asset Disposals	(29,137.65)	(1,589.78)
Interest Expense on Capital Asset Financing	(3,822,005.65)	(3,060,795.48)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>37,514,678.47</u>	<u>31,387,378.34</u>
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(7,404,030.38)	(13,909,528.58)

\*Amount has been changed to reflect an adjustment to pension expense reported by the State in the previous year's CAFR.

	<u>2016</u>	<u>2015</u>
Capital Contributions	\$ 22,540.00	\$ 759,760.00
HEAF Appropriation	3,374,275.00	3,559,433.00
Additions to Endowments	250,444.48	465,998.96
Transfers In	3,368,496.10	84,890.00
Transfers Out	<u>(485,046.53)</u>	<u>(840,840.94)</u>
Increase (Decrease) in Net Position	(873,321.33)	(9,880,287.56)
Net Position, Beginning of Year	88,898,132.01	107,486,220.84
Restatements		(8,707,801.27)
Net Position, Beginning of Year, Restated		98,778,419.57
<b>Net Position, End of Year</b>	<b><u>\$88,024,810.68</u></b>	<b><u>\$ 88,898,132.01</u></b>

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, 2016

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	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$40,741,296.38	\$22,172,544.01	\$611,586.70	\$380,330.28	\$2,917,571.18
Payroll Related Costs	13,037,057.33	6,925,226.84	68,261.78	96,267.60	991,001.58
Professional Fees and Services	4,867,293.16	702,631.87	37,449.09	64,076.10	1,171,799.32
Travel	2,010,141.52	859,865.43	158,497.65	16,793.67	229,440.88
Materials and Supplies	5,821,426.14	588,809.44	160,012.47	88,728.36	642,087.72
Communications and Utilities	2,572,408.10	71,238.19	592.01	3,146.26	39,649.35
Repairs and Maintenance	3,264,099.19	164,668.12	4,706.17	38,726.15	1,121,809.66
Rentals and Leases	1,583,862.82	86,842.70	1,193.66	49,690.65	38,237.18
Printing and Reproduction	157,379.18	42,795.14	7,219.59	8,805.35	34,757.50
Depreciation and Amortization	13,036,762.29				
Bad Debt Expense	328,175.88				
Interest	2,766.08				18.92
Scholarships	11,209,814.64				
<b>Total Operating Expenses</b>	<b>\$98,632,482.71</b>	<b>\$31,614,621.74</b>	<b>\$1,049,519.12</b>	<b>\$746,564.42</b>	<b>\$7,186,373.29</b>

Midwestern State University  
Matrix of Operating Expenses Reported by Function  
For the Year Ended August 31, 2015

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	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$39,781,931.21	\$20,940,797.29	\$420,832.88	\$307,514.92	\$2,825,480.61
Payroll Related Costs	11,284,211.61*	6,072,934.89*	44,928.80	76,485.53*	863,348.05*
Professional Fees and Services	5,136,289.17	677,900.15	21,073.25	34,841.21	1,098,485.41
Travel	1,752,044.43	522,872.55	121,764.06	17,922.05	278,435.04
Materials and Supplies	5,751,701.44	687,668.85	123,739.88	140,174.15	703,013.96
Communications and Utilities	2,659,866.40	54,217.81	139.60	2,695.70	16,489.56
Repairs and Maintenance	3,483,818.91	198,168.56	945.69	37,970.65	1,098,820.37
Rentals and Leases	1,470,843.76	150,847.43	572.08	89,822.24	42,355.38
Printing and Reproduction	197,216.53	46,460.17	2,043.40	9,096.49	48,472.35
Depreciation and Amortization	13,102,589.95				
Bad Debt Expense	286,150.73				
Interest	1,378.62	12.51			77.67
Scholarships	10,330,531.01				
<b>Total Operating Expenses</b>	<b>\$95,238,573.77*</b>	<b>\$29,351,880.21*</b>	<b>\$736,039.64</b>	<b>\$716,522.94*</b>	<b>\$6,974,978.40*</b>

\*Amounts have been changed to reflect an adjustment to pension expense reported by the State in the previous year's CAFR.

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation &amp; Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,951,210.91	\$4,948,900.60	\$2,728,950.02		\$1,030,202.68	
1,898,581.44	1,423,759.41	1,392,398.21		241,560.47	
1,922,931.53	(111,493.73)	320,567.50		759,331.48	
582,582.09	132,063.81	4,026.82		26,871.17	
844,839.53	518,457.79	690,168.52		2,288,322.31	
316,936.77	(91,869.97)	1,239,207.61		993,507.88	
218,028.86	722,675.46	(206,714.36)		1,200,199.13	
180,002.67	45,388.97	24,239.26		1,158,267.73	
177,673.58	(123,876.45)	1,670.10		8,334.37	
					\$13,036,762.29
328,175.88					
49.77	10.28	2,637.58		49.53	
			\$11,209,814.64		
<b>\$12,421,013.03</b>	<b>\$7,464,016.17</b>	<b>\$6,197,151.26</b>	<b>\$11,209,814.64</b>	<b>\$7,706,646.75</b>	<b>\$13,036,762.29</b>

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation &amp; Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,811,830.80	\$5,557,805.89	\$2,378,904.01		\$1,538,764.81	
1,666,495.82*	1,093,566.49*	1,046,271.28*		420,180.75	
1,830,708.55	200,630.26	421,496.27		851,154.07	
621,506.26	149,834.44	9,784.39		29,925.64	
828,614.06	589,209.97	535,142.00		2,144,138.57	
237,851.09	(14,876.58)	1,393,160.63		970,188.59	
179,667.20	776,600.25	825,643.45		366,002.74	
162,467.56	43,560.64	6,552.43		974,666.00	
210,631.01	(132,385.32)	1,475.75		11,422.68	
					\$13,102,589.95
286,150.73					
444.86	516.75	320.12		6.71	
			\$10,330,531.01		
<b>\$11,836,367.94*</b>	<b>\$8,264,462.79*</b>	<b>\$6,618,750.33*</b>	<b>\$10,330,531.01</b>	<b>\$7,306,450.56</b>	<b>\$13,102,589.95</b>

\*Amounts have been changed to reflect an adjustment to pension expense reported by the State in the previous year's CAFR.

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

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Proceeds Received from Students	\$ 33,105,190.16	\$ 33,260,734.69
Proceeds Received for Sponsored Programs	5,914,612.58	4,036,734.97
Proceeds Received from Auxiliary Enterprises	11,407,271.01	10,363,161.03
Proceeds From Loan Programs	50,578.85	16,004.89
Proceeds From Other Revenues	2,829,124.58	2,864,701.97
Payments to Employees	(53,505,509.90)	(50,766,081.30)*
Payments to Suppliers for Goods and Services	(18,408,616.16)	(17,352,652.20)
Payments for Scholarships	(11,289,592.78)	(10,444,570.68)
Payments for Interest	(2,766.08)	(1,378.62)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(29,899,707.74)</u>	<u>(28,023,345.25)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from State Appropriations	24,947,504.24	21,748,780.77
Proceeds from Endowment Gifts	250,444.48	465,998.96
Proceeds from Gifts	4,481,390.88	4,673,458.21
Proceeds (Payments) from Other Noncapital Financing Activities	135,606.69	(488,469.04)
Proceeds from Non-operating Grants	8,547,767.73	8,582,348.31
Transfers in from Other Funds	201,934.00	84,890.00
Transfers out to Other Funds	(485,046.53)	(840,840.94)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>38,079,601.49</u>	<u>34,226,166.27</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from Debt Issuance		42,569,287.55
Proceeds from Capital Gifts	12,500.00	741,760.00
Proceeds from HEAF Appropriations	3,374,275.00	3,559,433.00
Proceeds From Interest on Capital Investments	123,215.33	15,628.74
Payments for Additions to Capital Assets	(33,753,661.63)	(8,329,216.52)
Principal Paid on Capital Related Debt	(4,488,676.96)	(5,135,097.78)
Interest Paid on Capital Related Debt	(2,887,717.31)	(4,301,966.18)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>(37,620,065.57)</u>	<u>29,119,828.81</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Interest and Investment Income	3,096,258.74	662,935.35
Proceeds from Sales and Maturities of Investments	85,143,385.28	81,597,069.39
Payments to Acquire Investments	(58,922,828.84)	(116,547,818.69)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>29,316,815.18</u>	<u>(34,287,813.95)</u>
Increase (Decrease) in Cash and Cash Equivalents	(123,356.64)	1,034,835.88
Cash and Cash Equivalents, September 1, 2015	<u>8,241,461.62</u>	<u>7,206,625.74</u>
<b>Cash and Cash Equivalents, August 31, 2016</b>	<u><b>\$ 8,118,104.98</b></u>	<u><b>\$ 8,241,461.62</b></u>

\*Amount has been changed to reflect amount reported by the State in the previous year's CAFR.



	<u>2016</u>	<u>2015</u>
<b>Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Position:</b>		
<b>Current Assets:</b>		
Cash On Hand	\$ 17,200.00	\$ 16,300.00
Cash In Bank	897,441.31	6,622,911.07
Cash in State Treasury	2,382,729.58	3,227,195.04
<b>Restricted:</b>		
Cash In Bank	4,820,734.09	(1,624,944.49)
	<u>\$ 8,118,104.98</u>	<u>\$ 8,241,461.62</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$(44,918,708.85)	\$(45,296,906.92)*
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	13,036,762.29	13,102,589.95
Bad Debt Expense	328,175.88	286,150.73
Net Pension Expenses Reported in Payroll Related Costs	114,061.79	(95,071.06)*
Donations of Non-Capital Assets	915,536.16	920,086.86
(Increase) Decrease in Receivables	(2,275,955.26)	(584,516.36)
(Increase) Decrease in Inventories	25,710.84	14,831.37
(Increase) Decrease in Prepaid Expenses	(98,862.13)	(132,236.40)
(Increase) Decrease in Loans	10,217.29	(119.50)
Increase (Decrease) in Payables	1,090,446.07	2,465,418.20
Increase (Decrease) in Unearned Revenues	1,858,741.29	1,184,306.56
Increase (Decrease) in Other Liabilities	14,166.89	112,121.32
Total Adjustments	<u>15,019,001.11</u>	<u>17,273,561.67</u>
Net Cash Used by Operating Activities	<u>\$(29,899,707.74)</u>	<u>\$(28,023,345.25)</u>
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 701,226.06	\$ (2,423,268.69)
(Loss) Gain on Asset Disposals	(29,137.65)	(1,589.78)
Nonmonetary Gifts, Including Capital Assets	925,576.16	938,086.86
Refunding of Long Term Debt		17,595,000.00
Transfer in on Master Lease Purchase Program	3,166,562.10	

\*Amounts have been changed to reflect amounts reported by the State in the previous year's CAFR.

# 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 Colleges 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.

MSU 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 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.

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 Statement No. 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.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

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

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

Unrestricted net position consists of resources 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

Midwestern State University implemented GASB Statement No. 72, *Fair Value Measurement and Application*, in fiscal year 2016. The Standard defines an investment as a security or other asset that a government holds primarily for the purpose of income or profit. The present service capacity is based solely on the ability of the security or other asset to generate cash or to be sold to generate cash. Fair value is defined as the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date.

The Standard requires fair value to be measured in a manner consistent with one of three approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and relevant market information to measure fair value. The cost approach reflects the amount that would be required to replace the asset and its service capacity. The income approach converts future amounts, such as cash flows, into a single current amount. The university primarily uses the market approach to value investments.

Measuring fair value requires gathering information, or inputs, about the asset or liability being measured. The fair value hierarchy categorizes the inputs used to measure fair value into three levels. Level 1 inputs are quoted prices in active markets for assets or liabilities identical to the ones being measured, Level 2 inputs are observable for similar assets or liabilities, and Level 3 inputs are unobservable inputs.

The notes to the financial statements disclose the input levels used to determine fair value, and also display the deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 1: Continued**

**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.

**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.

**Net Investment in Capital Assets**

Net investment in capital assets consists of capital assets (the capitalization thresholds used by the university to determine whether an asset should be expensed or capitalized are listed below by type of capital asset), net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those 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, shown below by type of capital 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	Various	0-180
Computer Software	Various	0-72
Other Intangible Capital Assets	\$100,000	0-120

**Unearned Revenue**

The university records receivables when revenue is earned but not collected. Unearned revenue is recognized when cash is received prior to revenue recognition or when the earnings process is not yet complete and is considered a liability.

ANNUAL FINANCIAL REPORT

# Midwestern State University

## Notes To The Financial Statements - Unaudited

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### Deferred Outflows and Inflows of Resources

Deferred Outflows of Resources are presented in separate sections on the Statement of Net Position effective fiscal year 2013, in compliance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Deferred Outflows of Resources are defined as the consumption of net assets applicable to a future reporting period and have a positive effect on net position, similar to assets. Deferred Inflows of Resources are defined as acquisitions of net assets applicable to a future reporting period and have a negative effect on net position, similar to liabilities.

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, resulted in deferred outflows and deferred inflows of resources related to the new pension reporting requirements, as detailed in Note 28. The advance refunding of existing debt in 2015, which resulted in an unamortized loss, also resulted in a deferred outflow. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is then amortized, using the straight line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, on the Statement of Revenues, Expenses, and Changes in Net Position as a component of interest expense.

### Other Significant Accounting Policies

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

# 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, 2016, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/15	Adjustment	Reclassifications Completed CIP
<b><u>Non-depreciable or Non-Amortizable Assets:</u></b>			
Land and Land Improvements	\$ 5,946,107.70		
Construction in Progress	4,795,023.22		\$(33,898,694.16)
Other Tangible Capital Assets	3,533,965.30		
Total Non-depreciable Assets or Non-Amortizable Assets:	<u>14,275,096.22</u>	<u>\$0.00</u>	<u>(33,898,694.16)</u>
<b><u>Depreciable Assets:</u></b>			
Buildings and Building Improvements	191,031,306.65		33,750,484.28
Infrastructure	12,823,874.86		
Facilities and Other Improvements	8,768,106.97		148,209.88
Furniture and Equipment	13,499,924.46		
Vehicles	1,981,491.79		
Other Capital Assets	<u>11,819,924.17</u>		
Total Depreciable Assets:	<u>239,924,628.90</u>	<u>0.00</u>	<u>33,898,694.16</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(101,228,112.33)		
Infrastructure	(6,329,966.08)		
Facilities and Other Improvements	(4,647,684.97)		
Furniture and Equipment	(11,163,495.85)		
Vehicles	(1,142,521.89)		
Other Capital Assets	<u>(10,287,080.71)</u>		
Total Accumulated Depreciation	<u>(134,798,861.83)</u>	<u>0.00</u>	<u>0.00</u>
Depreciable Assets, Net	<u>105,125,767.07</u>	<u>0.00</u>	<u>33,898,694.16</u>
<b><u>Amortizable Assets - Intangible</u></b>			
Computer Software	10,730,009.48		
Total Amortizable Assets - Intangible	10,730,009.48	0.00	0.00
Less Accumulated Amortization for:			
Computer Software	(6,077,876.86)		
Total Accumulated Amortization	<u>(6,077,876.86)</u>	<u>0.00</u>	<u>0.00</u>
Amortizable Assets - Intangible, Net	<u>4,652,132.62</u>	<u>0.00</u>	<u>0.00</u>
<b>Business-Type Activities Capital Assets, Net</b>	<b><u>\$ 124,052,995.91</u></b>	<b><u>\$0.00</u></b>	<b><u>\$ 0.00</u></b>

Additions	Deletions	Balance 08/31/16
		\$ 5,946,107.70
\$ 31,633,100.42		2,529,429.48
		3,533,965.30
<u>31,633,100.42</u>		<u>12,009,502.48</u>
514,842.99		225,296,633.92
		12,823,874.86
3,920,600.24		12,836,917.09
648,929.98	\$(210,878.91)	13,937,975.53
66,535.00	(92,162.85)	1,955,863.94
146,255.10	(371,977.17)	11,594,202.10
<u>5,297,163.31</u>	<u>(675,018.93)</u>	<u>278,445,467.44</u>
(7,987,202.54)		(109,215,314.87)
(444,326.52)		(6,774,292.60)
(375,198.94)		(5,022,883.91)
(829,383.18)	205,092.87	(11,787,786.16)
(168,889.90)	68,811.24	(1,242,600.55)
(273,743.93)	371,977.17	(10,188,847.47)
<u>(10,078,745.01)</u>	<u>645,881.28</u>	<u>(144,231,725.56)</u>
<u>(4,781,581.70)</u>	<u>(29,137.65)</u>	<u>134,213,741.88</u>
		10,730,009.48
0.00	0.00	10,730,009.48
(2,958,017.28)		(9,035,894.14)
<u>(2,958,017.28)</u>	<u>0.00</u>	<u>(9,035,894.14)</u>
(2,958,017.28)	0.00	1,694,115.34
<u>\$ 23,893,501.44</u>	<u>\$ (29,137.65)</u>	<u>\$ 147,917,359.70</u>

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 3: Deposits, Investments and Repurchase Agreements

#### Authorized Investments

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

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

The university also employs an investment manager to manage the assets of its endowments which total \$8,261,264.86 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets. Additionally, MSU entered into a contract with the Texas A&M University System in September 2013 to manage university investments in the Texas A&M Cash Concentration Pool (CCP). A second contract with the Texas A&M University System was executed in December 2014 that allows investment of endowment assets in the Texas A&M System Endowment Fund (SEF). The total fair value of investments in the CCP and SEF at August 31, 2016 were \$26,885,690.21 and \$11,605,974.38, respectively. Additional information about these investments is disclosed separately on pages 33-36.

#### Carrying Amount of Deposits of Cash in Bank as of August 31

	<u>2016</u>	<u>2015</u>
Cash on Hand	\$ 17,200.00	\$ 16,300.00
Cash in Bank	5,718,175.40	4,997,966.58
Cash in State Treasury	<u>2,382,729.58</u>	<u>3,227,195.04</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$8,118,104.98</u></b>	<b><u>\$8,241,461.62</u></b>

#### Carrying Amount of Cash Deposits as of August 31 by Balance Sheet Category

Current Assets—Cash and Cash Equivalents:		
Cash on Hand	\$ 17,200.00	\$ 16,300.00
Cash in Bank	897,441.31	6,622,911.07
Cash in State Treasury	2,382,729.58	3,227,195.04
Current Assets— Restricted Cash and Cash Equivalents:		
Cash in Bank	<u>4,820,734.09</u>	<u>(1,624,944.49)</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$8,118,104.98</u></b>	<b><u>\$8,241,461.62</u></b>

#### 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 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, 2016 was \$6,869,725.58. \$250,000 of this amount was covered by FDIC Insurance, and \$6,619,725.58 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Bank of New York Mellon acting as custodian for the university and the bank (as defined above).

The university also entered into a flexible repurchase agreement with Bayerische Landesbank (BLB) for investment of construction bond proceeds. The value of the investments at August 31, 2016 was \$9,012,527.82. Per the contract, Wells Fargo Bank acts as the third party custodial agent for all purchased securities pledged as collateral in the university's name. The value of the collateral must be no less than 102% of the value of the investments. Eligible securities are obligations of the United States of America or any agency or instrumentality of the United States of America that are wireable through the Federal Reserve System. The collateral market value at August 31, 2016 was \$9,747,088.42, or 108.15% of the value of the investments in the flexible repurchase agreement.



# Midwestern State University

## Notes To The Financial Statements - Unaudited

<b>Fair Value of Investments as of August 31 by Investment Type</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
U.S. Government Agency Obligations	\$ 296,925.24	\$ 2,088,654.43
Corporate Obligations	2,108,340.25	2,303,962.20
Equities	5,652,732.63	4,922,707.70
Other Fixed Income Mutual Funds		205,861.11
Other Commingled Funds—Texas A&M System Investment Pool*	38,491,664.59	34,428,500.70
Other Commingled Funds—Texpool	2,004,369.67	501,723.91
Other Commingled Funds—LOGIC	3,012,876.23	505,118.88
Other Comingled Funds—Texas Class	3,015,699.51	
Other Commingled Funds—Goldman Sachs	79,550.45	569,336.46
Money Market—Wells Fargo Bank		7,003,677.18
Flexible Repurchase Agreements	9,012,527.82	37,888,721.09
Alternative Investments (including hedge funds)	613,782.44	566,784.57
<b>Total Investments</b>	<b><u>\$64,288,468.83</u></b>	<b><u>\$90,985,048.23</u></b>
<b>Fair Value of Investments as of August 31 by Balance Sheet Category</b>		
Current Assets—Short-Term Investments	\$ 8,765,352.49	\$ 9,173,213.92
Non-Current Assets—Restricted Short Term Investments	8,359,671.19	37,295,363.60
Non-Current Assets—Restricted Investments	5,593,238.45	5,865,167.62
Non-Current Assets—Other Long Term Investments	41,570,206.70	38,651,303.09
<b>Total Investments</b>	<b><u>\$64,288,468.83</u></b>	<b><u>\$90,985,048.23</u></b>

\*See additional disclosures on pages 33-36 for investments managed by the Texas A&M University System.

### Fair Value Hierarchy of Investments

The university implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for fiscal year 2016. Investments have been presented below, according to the hierarchy of inputs listed below, which are used to measure fair value:

- Level 1 has been assigned to investments for which quoted prices (unadjusted) are available for identical assets in active markets on the measurement date. These assets include equities (common stock, listed ADR's and listed preferred stock), exchange traded mutual funds, exchange traded options, money market funds and U.S. Treasury securities.
- Level 2 has been assigned to investments for which there are inputs, other than quoted prices, that are observable for an asset or liability, either directly or indirectly. These assets include cash equivalents, collateralized mortgage obligations, corporate bonds, mortgage-backed securities, municipal bonds, non-exchange traded options, short-term obligations, and U.S. agency securities.
- Level 3 has been assigned to assets to which there are unobservable inputs. Examples of these assets are commingled funds and private equity technology partnerships.
- NAV – MSU invests in certain private investments and limited partnerships including hedge funds, natural resources, private equity, venture capital, energy, and real estate. The fair value of these investments is based on the investment manager's determined NAV as allowed by the Standard. The valuations at the date provided by the investment manager have been adjusted by rolling forward to August 31, 2016 to include the following events: capital contributions or distributions since the investment manager's valuation date reported to MSU, changes in the composition of assets or liabilities reported by the investment manager since the valuation date of the NAV, and changes in fair value of assets or liabilities reported since the investment manager's valuation date. In the case of hedge funds, MSU has adjusted the reported July 31, 2016 NAV by the estimated performance as of August 31, 2016 as reported by the investment manager.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 3: Continued**

Investment Type	Fair Value Hierarchy				Fair Value as of August 31, 2016
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	NAV	
U.S. Government Agency Obligations		\$ 296,925.24			\$ 296,925.24
Corporate Obligations		2,108,340.25			2,108,340.25
Equities	\$ 5,652,732.63				5,652,732.63
Other Commingled Funds - Texas A&M System Investment Pool*					38,491,664.59
Other Commingled Funds - Texpool				\$2,004,369.67	2,004,369.67
Other Commingled Funds - LOGIC				3,012,876.23	3,012,876.23
Other Comingled Funds - Texas Class				3,015,699.51	3,015,699.51
Other Comingled Funds - Goldman Sachs				79,550.45	79,550.45
Flexible Repurchase Agreements				9,012,527.82	9,012,527.82
Alternative Investments (including hedge funds)		302,379.00	\$311,403.44		613,782.44
<b>Total Investments</b>					<b>\$64,288,468.83</b>

\*See additional disclosures on pages 33-36 for investments managed by the Texas A&M University System.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2016, 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)	\$ 296,925.24			
Corporate Bonds		\$397,230.00	\$ 427,085.20	\$1,284,025.05
Comingled Funds—Texpool and LOGIC	8,032,945.41			

Investment Type	BB	B	Collateralized	Not Rated
Other Commingled Funds—Goldman Sachs				\$79,550.45
Flexible Repurchase Agreements			\$9,012,527.82	
Equities				5,652,732.63
Alternative Investments (including hedge funds)				613,782.44

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2016, the university's concentration of credit risk is immaterial to any single issuer.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Interest Rate Risk

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 the weighted average maturity of an instrument's cash flows, where the present value of the cash flows serves as the weight, or the measure of the price sensitivity of a debt investment to changes arising from movements in interest rates. 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, 2016, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
U.S. Government Agency Obligations	\$ 296,925.24	2.10
Corporate Bonds	\$2,108,340.25	3.07

### Texas A&M Investment Pool

The fair value of Midwestern State University's investments managed by the Texas A&M University System as of August 31, 2016 is presented below:

<b>Investment Type</b>	<b>LT CCP</b>	<b>SEF</b>	<b>Total Combined Fair Value</b>
U.S. Treasury Securities	\$1,310,491.73	\$176,979.01	\$1,487,470.74
U.S. Treasury TIPS	55,918.24		55,918.24
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	1,444,052.64	299,353.83	1,743,406.47
Corporate Obligations	3,018,705.25	562,635.14	3,581,340.39
Corporate Asset and Mortgage-Backed Securities	987,866.43	188,693.99	1,176,560.42
Equity (Domestic)	4,726,410.02	1,574,734.94	6,301,144.96
International Obligations (Govt and Corp)	1,357,992.68	134,123.34	1,492,116.02
International Equity	3,846,448.37	1,456,302.36	5,302,750.73
Fixed Income Money Market and Bond Mutual Funds	1,084,132.83	433,178.82	1,517,311.65
Mutual Funds—International Equity (registered with SEC)	3,272,482.39	1,156,096.72	4,428,579.11
Other Commingled Funds—Equity		345,068.77	345,068.77
Other Commingled Funds—Fixed Income	575,281.54	232,052.95	807,334.49
Derivatives	1,783.64	418.44	2,202.08
<b><u>Alternative Investments:</u></b>			
Hedge Funds	5,521,182.68	1,777,392.96	7,298,575.64
Limited Partnerships—Private Equity		1,682,013.75	1,682,013.75
Limited Partnerships—International Private Equity		564,235.41	564,235.41
Limited Partnerships—Real Estate		243,007.36	243,007.36
Limited Partnerships—International Real Estate		24,918.33	24,918.33
Limited Partnerships—Natural Resources		1,015,879.50	1,015,879.50
<b><u>Miscellaneous:</u></b>			
Political Subdivisions	9,988.58		9,988.58
<b>Total Investments</b>	<b>\$27,212,737.02</b>	<b>\$11,867,085.62</b>	<b>\$39,079,822.64</b>

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# Midwestern State University

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Investment Type	Fair Value Hierarchy				Fair Value as of August 31, 2016
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	NAV	
U.S. Treasury Securities	\$1,487,470.74				\$ 1,487,470.74
U.S. Treasury TIPS	55,918.24				55,918.24
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)		\$1,743,406.47			1,743,406.47
Corporate Obligations		3,581,340.39			3,581,340.39
Corporate Asset and Mortgage-Backed Securities		1,176,560.42			1,176,560.42
Equity (Domestic)	6,301,144.96				6,301,144.96
International Obligations (Govt and Corp)			\$1,492,116.02		1,492,116.02
International Equity	5,302,750.73				5,302,750.73
Fixed Income Money Market and Bond Mutual Funds	1,517,311.65				1,517,311.65
Mutual Funds—International Equity (registered with SEC)	4,428,579.11				4,428,579.11
Other Commingled Funds—Equity			345,068.77		345,068.77
Other Commingled Funds—Fixed Income	454,890.46		352,444.03		807,334.49
Derivatives	2,202.08				2,202.08
<u>Alternative Investments:</u>					
Hedge Funds				\$7,298,575.64	7,298,575.64
Limited Partnerships—Private Equity				1,682,013.75	1,682,013.75
Limited Partnerships—International Private Equity				564,235.41	564,235.41
Limited Partnerships—Real Estate				243,007.36	243,007.36
Limited Partnerships—International Real Estate				24,918.33	24,918.33
Limited Partnerships—Natural Resources				1,015,879.50	1,015,879.50
<u>Miscellaneous:</u>					
Political Subdivisions		9,988.58			9,988.58
<b>Total Investments</b>					<b>\$39,079,822.64</b>
<b>Fair Value of Investments as of August 31, 2016 by Balance Sheet Category</b>					
Foreign Currency presented as Cash				\$	871.61
Cash					148.98
<u>Receivables:</u>					
Int/Dividends Receivable					73,776.67
Foreign Currency Fluctuations—Receivable					(204.41)
FFX Contract Receivable					133,487.05
Pending Sale					527,774.15
<u>Payables:</u>					
Payable for Manager Fees					(15,999.79)
Payable for 4th quarter SEF distribution					(133,993.78)
Foreign Currency Fluctuations—Payable					14.99
FFX Contract Payable					(131,855.25)
Pending Purchase					(1,041,938.57)
Other Payables					(241.16)
Rounding due to allocation					1.46
<b>Total Cash and Accruals</b>					<b>(588,158.05)</b>
Investments (detailed on page 33 and above by Investment Type)					<b>\$39,079,822.64</b>
<b>Net Asset Value</b>					<b>\$38,491,664.59</b>

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Investments Exposed to Credit Risk

Investment Type	AAA	AA	A	BBB
U.S. Government Agency Obligations		\$1,466,209.09		\$12,535.47
Corporate Obligations	\$81,211.80	169,694.22	\$654,861.26	2,094,645.64
Corporate Asset and Mortgage-Backed Securities	127,106.66	174,372.05	229,060.56	69,290.42
International Obligations	111,032.60	280,590.23	329,420.54	529,299.25
Fixed Income Money Market & Bond Mutual Fund	1,517,311.65			

Investment Type	BB	B	CCC	Not Rated
U.S. Government Agency Obligations	\$2,364.52			\$262,297.39
Corporate Obligations	307,060.69	\$116,967.14		156,899.64
Corporate Asset & Mortgage Backed Securities	376.98		\$39,447.59	536,906.16
International Obligations	41,820.55	52,265.54		147,687.31
Other Commingled Funds - Fixed Income				807,334.49
Miscellaneous (municipals and CDs)				9,988.58

### Investments Exposed to Foreign Currency Risk

Investments Exposed to Foreign Currency Risk					International Alternative Investments		
Fund Type	GAAP Fund	Foreign Currency	International Obligation (Govt and Corp and MF)	International Equity	International Equity Mutual Funds	International Other Private Equity	International Other Real Estate Funds
05	9999	U.S. Dollar Denominated Foreign Securities	\$1,231,204.47	\$1,968,691.05	\$4,428,579.11	\$412,018.58	\$24,918.33
05	9999	Australian Dollar	101,242.84	75,486.63			
05	9999	Brazil Real		45,278.94			
05	9999	British Pound Sterling	4,903.56	712,349.48			
05	9999	Canadian Dollar	39,273.24	225,004.62			
05	9999	Danish Krone		87,411.55			
05	9999	Euro Currency Unit	1,106.69	806,893.61		152,216.83	
05	9999	Hong Kong Dollar		108,141.42			
05	9999	Japanese Yen		659,448.81			
05	9999	New Taiwan Dollar		46,580.91			
05	9999	New Zealand	114,385.22				
05	9999	Singapore Dollar		14,449.60			
05	9999	South Korean Won		15,151.08			
05	9999	Swedish Krona		102,400.93			
05	9999	Swiss Franc		374,236.42			
05	9999	Thailand Baht		43,181.18			
05	9999	New Turkish Lira		18,044.50			
<b>TOTAL</b>			<b>\$1,492,116.02</b>	<b>\$5,302,750.73</b>	<b>\$4,428,579.11</b>	<b>\$564,235.41</b>	<b>\$24,918.33</b>

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 3: Continued**

Investments Exposed to Interest Rate Risk		
Investment Types	Effective Duration	Market Value
U.S. Treasury Securities	6.514	\$ 1,487,470.74
U.S. Treasury TIPS	2.464	55,918.24
U.S. Government Agency Obligations	2.072	1,743,406.47
Corporate Obligations	6.449	3,581,340.39
Corporate Asset and Mortgage Backed Securities	2.639	1,176,560.42
International Obligations	4.238	1,492,116.02
Other Comingled Funds - Fixed Income	2.675	807,334.49
Miscellaneous (political subdivision)	2.712	9,988.58
<b>Total Fair Value</b>		<b>\$10,354,135.35</b>

**Derivative Investing**

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

The table below summarizes MSU's share of the pending foreign exchange contracts as of August 31, 2016:

Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
Australian Dollar	\$102,009.07		\$ 1,957.45	
Canadian Dollar	23,747.35		214.01	
Euro	1,598.82	\$2,090.67	19.54	\$23.50
Japanese Yen	4,041.14		34.58	
	<b>\$131,396.38</b>	<b>\$2,090.67</b>	<b>\$ 2,225.58</b>	<b>\$23.50</b>

The university's share of the fair value of open foreign currency exchange contracts as of August 31, 2016 was \$2,225.58, which is included in the net increase (decrease) in fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position.

The gross counterparty exposure related to MSU's share of these contracts as of August 31, 2016 was as follows:

Notional Amount	Assets Fair Value as of August 31, 2016	Liabilities Fair Value as of August 31, 2016	S&P Counterparty Rating
\$125,756.42	\$2,171.45		A+
3,230.62	19.54	\$22.47	BBB+
478.26	1.80		A+
154.23	1.76		A
3,867.52	31.03	1.03	A
<b>\$133,487.05</b>	<b>\$2,225.58</b>	<b>\$23.50</b>	

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 4: Short-Term Debt

Not Applicable

### Note 5: Long-Term Liabilities

During the year ended August 31, 2016, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-15	Restatement	Additions	Reductions	Balance 08-31-16
Revenue Bonds Payable	\$107,938,327.61		\$155,035.15 *	\$4,170,000.00	\$103,923,362.76
Unamortized Premium on Revenue Bonds	2,926,579.23			201,054.30	2,725,524.93
Subtotal	\$110,864,906.84		\$155,035.15	\$4,371,054.30	\$106,648,887.69
Compensable Leave	1,718,005.32		232,342.88	240,665.98	1,709,682.22
Capital Lease Obligations	61,835.07			28,012.57	33,822.50
Total	<u>\$112,644,747.23</u>	<u>\$0.00</u>	<u>\$387,378.03</u>	<u>\$4,639,732.85</u>	<u>\$108,392,392.41</u>

\*See Note 6

Amounts due within one year are as follows:

Revenue Bonds Payable	Unamortized Premium on Revenue Bonds	Compensable Leave	Capital Lease Obligations
\$3,440,136.10	\$156,426.20	\$199,373.81	\$33,822.50

### Employees' Compensable Leave

Benefit eligible staff and 12-month faculty members can earn annual leave from eight to twenty-one hours per month depending on the respective employee's years of state employment. The State's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of hours up to 532 for those employees with thirty-five or more years of state service. A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, separation from State employment, or transfer to a position that no longer accrues vacation, provided the employee has had continuous employment with the State for six months. For proprietary fund types an expense and liability are recorded as the benefits accrue to the employee. The liability is determined through the summarization of each employee's annual leave balance multiplied by their respective salary rate. The estimated cumulative amount of this liability is \$1,709,682.22. The university made lump sum payments totaling \$240,665.98 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2016, and payments of \$130,530.53 for August 31, 2015.

The university has an undetermined and unrecorded liability for employee's earned sick leave. Sick leave, the 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.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 6: Bonded Indebtedness

#### Bonds Payable

Detailed supplemental bond information is disclosed in:

- Schedule 2A—Miscellaneous Bond Information
- Schedule 2B—Changes in Bonded Indebtedness
- Schedule 2C—Debt Service Requirements
- Schedule 2D—Analysis of Funds Available for Debt Service
- Schedule 2E—Defeased Bonds Outstanding
- Schedule 2F—Early Extinguishment and Refunding

General information related to bonds is summarized below and on the following pages:

#### 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
- 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, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- \$17,595,000 of the 2007 Series was advance refunded in June 2015: \$14,085,000 of Series 2015A and \$3,510,000 of Series 2015B (see Series 2015A and 2015B).
- Changes in Debt: Principal paid during Fiscal Year—\$1,455,000; Outstanding at Year End—\$1,515,000.

#### Revenue and Refunding 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, Higher Education Assistance Funds, grants and contracts within the Educational and General Fund Group, 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

<u>Premium Capital Appreciation Bonds</u>		<u>Unamortized Premium on CAB</u>		<u>Combined Totals</u>
Beginning Principal Amount	\$(963,327.60)	Beginning Premium	\$(167,176.89)	\$(1,130,504.49)
Amortization Entries	FY16 <u>(155,035.16)</u>	Amortization Entries	FY16 <u>105,902.49</u>	(49,132.67)
Balance at Year End	\$(1,118,362.76)	Balance at Year End	\$(61,274.40)	\$(1,179,637.16)
Future Entry	FY17 <u>(86,637.24)</u>	Future Entry	FY17 <u>61,274.40</u>	(25,362.84)
Maturity Value	\$(1,205,000.00)		\$0.00	\$(1,205,000.00)

#### Revenue Financing System Revenue Bonds, Series 2010

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To pay for improving, renovating, enlarging, and/or equipping the university's existing D.L. Ligon Coliseum.
- Issued April 1, 2010
- \$6,700,000; all bonds authorized have been issued.
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of unrestricted current funds revenues, but do not include: remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts within the Educational and General Fund Group, student service fees, and private gifts in the Auxiliary Fund Group.
- Changes in Debt: Principal paid during Fiscal Year—\$180,000; Outstanding at Year End—\$5,885,000.

#### Revenue and 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 unappropriated fund balances and unrestricted current funds revenues available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$615,000; Outstanding at Year End—\$3,210,000.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 6: Continued

#### Revenue and Refunding Bonds, Series 2012B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance advance refunding of \$4,945,000 of 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 unappropriated fund balances and unrestricted current funds revenues available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$70,000; Outstanding at Year End—\$5,085,000.

#### Revenue and Refunding Bonds, Series 2015A

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the construction of a new 500-bed student dormitory and an addition to the Fain Fine Arts building to expand the Mass Communications program; the refunding of \$605,000 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 and other general modernization improvements; the refunding of \$6,025,000 of the Series 2007 TRB portion; and the refunding of \$7,195,000 of the Series 2007 Non-TRB portion.
- Issued June 2, 2015
- \$53,335,000; all bonds authorized have been issued.
- Revenue and Refunding Bond
- Business-Type Activities
- The premium on the bonds will be amortized over the life of the debt using the straight-line method.
- The deferred outflow of the loss on the refunding of the bonds will be amortized over the next two fiscal years per the requirements of GASB 65, *Items Previously Reported as Assets and Liabilities*.
- 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, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$630,000; Outstanding at Year End—\$52,705,000.

#### Revenue and Refunding Bonds, Series 2015B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the refunding of \$1,710,000 of the Series 2007 TRB portion and \$2,045,000 of the Series 2007 Non-TRB portion.
- Issued June 2, 2015
- \$3,755,000; all bonds authorized have been issued.
- Revenue and Refunding Bond
- Business-Type Activities
- 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, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$40,000; Outstanding at Year End—\$3,715,000.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 7: Derivative Instruments

A derivative security is a financial instrument which derives its value from another security, currency, commodity, or index. Investment derivatives are entered into with the intention of managing transaction or currency exchange risk in purchasing, selling, or holding investments. These include future and forward contracts.

MSU invests funds in the Texas A&M University System's investment pools, which include investment derivatives in the form of forward currency exchange contracts used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. Additional information can be found in the A&M System's financial statement note disclosures, and Note 3 also discloses details about these investment derivatives. The following disclosure summarizes MSU's activity as reported in the financial statements:

Investment Derivatives	Changes in Fair Value		Fair Value as of 8/31/2016		Notional Amount
	Classification	Amount	Classification	Amount	
FX Contracts	Investment Income	\$2,202.08	Investment	\$2,202.08	\$133,487.05

### Note 8: Leases

Midwestern State University has entered into a long-term lease for financing the purchase of a capital asset. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The following is the original capitalized cost of such property under lease in addition to the accumulated depreciation as of August 31, 2016:

Business-Type Activities				Year Ended August 31, 2016		
Class of Property	Assets under Capital Lease	Accumulated Depreciation	Total			
Vehicles	\$83,605.00	\$(79,423.80)	\$4,181.20			

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>
2017	\$33,822.50	\$852.50	\$34,675.00
Total Minimum Lease Payments	\$33,822.50	\$852.50	\$34,675.00
Less: Amount Representing Interest at Various Rates			852.50
Present Value of Net Minimum Lease Payments			<u>\$33,822.50</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:

Year	Total
2017	\$135,534.90
2018	104,933.16
2019	70,835.89
2020	34,246.37
2021	6,040.42
<b>Total Future Minimum Lease Payments</b>	<b>\$351,590.74</b>

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 9: Pension Plans**

Teacher Retirement System Pension Plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. The employers of the TRS Plan include the state of Texas, TRS, the state’s public schools, education service centers, charter schools, community and junior colleges. All employees of public, state-supported education institutions in Texas who are employed for one-half or more of the standard work load and not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Employees of TRS and state of Texas colleges, universities and medical schools are members of the TRS plan.

The TRS Plan provides retirement, disability annuities and death and survivor benefits. The benefit and contribution provisions of the TRS Plan are authorized by state law and may be amended by the Legislature. The pension benefit formulas are based on members’ average annual compensation and years of service credit. The standard annuity is 2.3 percent of the average of the five highest annual salaries multiplied by years of service credit. For grandfathered members who were hired on or before August 31, 2005 and meet certain criteria, the standard annuity is based on the average of the three highest annual salaries. The plan does not provide automatic cost of living adjustments (COLAs).

The Audited Comprehensive Annual Financial Report (CAFR) for Teacher Retirement System may be obtained from: Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698.

During the measurement period of 2015 for fiscal 2016 reporting, the amount of Midwestern State University’s contributions recognized by the plan was \$805,694.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

<b>TRS Plan Required Contribution Rates</b>	
Employer	6.8%
Employees	7.2%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2015 measurement date:

<b>Actuarial Methods and Assumptions</b>	TRS Plan
Actuarial Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percent, Open
<u>Actuarial Assumptions:</u>	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	2.50%
Salary Increase	3.50% to 9.50%, including inflation
<u>Mortality:</u>	
Active	90% of the RP 2014 Employee Mortality Tables for males and females.
Post-Retirement	2015 TRS Healthy Pensioner Mortality Tables.
Ad Hoc Post-Employment Benefit Changes	None

ANNUAL FINANCIAL REPORT

# Midwestern State University

## Notes To The Financial Statements - Unaudited

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2014 and adopted September 2015. There have been changes in inflation, salary increases and mortality assumptions since the prior measurement date. The inflation assumption changed from 3.00% to 2.50%. The salary increase assumption changed from a range of 4.25% to 7.25% to a range of 3.50% to 9.50% including inflation. The mortality assumption for active members changed from the one based on the 1994 Group Annuity Mortality Table to the one based on the RP 2014 Employee Mortality Tables. The new 2015 TRS Healthy Pensioner Mortality Tables were used for the retired member mortality assumption. There have been no changes to the benefit provisions of the plan since the prior measurement date.

The discount rate of 8% was applied to measure the total pension liability. There has been no change in the discount rate since the prior measurement period. The projected cash flows into and out of the pension plan assumed that members, employers, and non-employer contributing entity make their contributions at the statutorily required rates. Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on pension plan investments was used as the discount rate without incorporating the municipal bond rate.

The long-term expected rate of return on plan investments was developed using a building-block method with assumptions including asset class of investment portfolio, target allocation, real rate of return on investments, and inflation factor. Under this method, best estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
<b>Global Equity</b>		
U.S.	18%	4.6%
Non-U.S. Developed	13%	5.1%
Emerging Markets	9%	5.9%
Directional Hedge Funds	4%	3.2%
Private Equity	13%	7.0%
<b>Stable Value</b>		
U.S. Treasury	11%	0.7%
Absolute Return	0%	1.8%
Stable Value Hedge Funds	4%	3.0%
Cash	1%	-0.2%
<b>Real Return</b>		
Global Inflation Linked Bonds	3%	0.9%
Real Assets	16%	5.1%
Energy and Natural Resources	3%	6.6%
Commodities	0%	1.2%
<b>Risk Parity</b>		
Risk Parity	5%	6.7%
<b>Total</b>	<b>100%</b>	

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 9: Continued**

**Sensitivity Analysis**

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of Midwestern State University's net pension liability. The result of the analysis is presented in the table below:

1% Decrease in Discount Rate (7%)	Current Discount Rate (8%)	1% Increase in Discount Rate (9%)
\$15,070,066.59	\$9,618,302.13	\$5,077,321.16

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets, and fiduciary net position may be obtained from TRS' fiscal 2015 Comprehensive Annual Financial Report.

At August 31, 2016, Midwestern State University reported a liability of \$9,618,302.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion at August 31, 2016 was 0.0272098 percent which was a decrease from the 0.0287727 percent on the prior measurement date. MSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to all of the employer's and non-employer contributing entities' contributions to the plan for the period September 1, 2015 through August 31, 2016.

For the year ending August 31, 2016, Midwestern State University recognized pension expense of \$956,830.00. At August 31, 2016, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Inflows and Outflows Related to Pensions:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 98,852.00	\$ 369,640.00
Changes of assumptions	415,478.00	343,139.00
Net difference between projected & actual investment return	607,002.00	
Change in proportion and contribution difference		358,243.00
Contributions subsequent to the measurement date	841,200.00	
<b>Total</b>	<b>\$1,962,532.00</b>	<b>\$1,071,022.00</b>

# Midwestern State University

## Notes To The Financial Statements - Unaudited

The \$841,200.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	Amount of Pension Expense to be Recognized
2017	(72,421.00)
2018	(72,421.00)
2019	(72,422.00)
2020	514,838.00
2021	(83,532.00)
Thereafter	(163,732.00)

### **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 MSU, subject to policies, practices, and procedures developed by the Texas Higher Education Coordinating Board to provide greater uniformity in the administration of the program. The ORP provides for the purchase of annuity contracts and mutual funds. The contributory percentages of participant salaries provided by the State and by each participant enrolled in the plan on or before August 31, 1995, are 8.5% and 6.65%, respectively. The 8.5% is composed of 6.6% contributed by the State and an additional 1.9% contributed by the university. For participants who enrolled after September 1, 1995, State and participant contributions are 6.6%, and 6.65%, respectively. Because there are individual annuity contracts, the State has no additional or unfunded liability for this program, and MSU bears no responsibility for retirement commitments beyond contributions. The contributions made to the ORP by the plan members and employer for the fiscal year ended August 31, 2016, compared to the previous year, are shown below:

	Year Ended August 31, 2016	Year Ended August 31, 2015
Member Contributions	\$1,094,511.11	\$1,086,370.86
Employer Contributions	1,177,101.24	1,188,584.56
Total Remittance	<u>\$2,271,612.35</u>	<u>\$2,274,955.42</u>

### **Note 10: Deferred Compensation**

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.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 11: Postemployment Health Care and Life Insurance Benefits**

Not Applicable.

**Note 12: Interfund Activity and Transactions**

University transactions with other state agencies are as follows:

Name of State Agency, Agency Number	Interfund Receivable	Interfund Payable	Purpose
-------------------------------------	-------------------------	----------------------	---------

**Interfund Receivables and Payables—Current:**

State Energy Conservation Office, 907 D23 Fund 7999		<u>\$272,198.10</u>	SECO Federal Revolving Loan
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**Interfund Receivables and Payables—Non Current:**

State Energy Conservation Office, 907 D23 Fund 7999		<u>\$984,782.85</u>	SECO Federal Revolving Loan
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<b>Due to/Due From:</b>	Due From Other Agencies	Due To Other Agencies	Purpose
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Texas Department of Motor Vehicles, 608 D23 Fund 0802	\$ 161.77		Texas Collegiate License Plate Fund
Texas State Comptroller's Office, 902 D23 Fund 0210	87,165.00		Hazlewood Exemption Program
Texas Tech University, 733 D23 Fund 7999	<u>12,623.67</u>		Small Business Development Center
<b>Total Due To/Due From</b>	<u>\$99,950.44</u>		

<b>Operating Transfers:</b>	Transfer In	Transfer Out	
Texas Higher Education Coordinating Board, 781 D23 Fund 0264		\$ 1,034.00	Dental Hygiene Degree or Certification Program
Texas Public Finance Authority, 347 D23 Fund 7999	\$3,166,562.10	484,012.53	Master Lease Purchase Transfers
Texas State Comptroller's Office, 902 D23 Fund 0210	87,165.00		Hazlewood Exemption Program
D23 Fund 0001	<u>114,769.00</u>		Hazlewood Reimbursement-TVC
<b>Total Transfers</b>	<u>\$3,368,496.10</u>	<u>\$485,046.53</u>	

Detailed State Grant Pass-Through information is listed on page 55 in Schedule 1B.

**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 Position

Not Applicable.

### Note 15: Contingencies and Commitments

As of August 31, 2016, certain lawsuits were pending against the university and/or its officers. The lawsuits, which may present contingent liabilities, are displayed below:

Claimant/Plaintiff	Defendant	Type of Litigation	Damages Sought	Probability of Liability	Possible Loss
N. Sugumaran Narayanan	MSU	Employment discrimination	See below description	Reasonably Possible*	Unknown

\*The types of probability of liability are defined as follows:

- Reasonably Possible indicates the event is more than remote, but less than likely.
- Probable indicates the event is likely to occur.

#### Description of the Case

N. Sugumaran Narayanan has filed a suit against MSU in the United States District Court for the Northern District of Texas (Wichita Falls Division—Case 7:16-cv-00088-O) alleging employment discrimination under Title VII of the 1964 Civil Rights Act (race, color, national origin) and retaliation seeking: (1) permanent injunction restraining and enjoining MSU from engaging in unlawful employment practices with respect to promotion decisions based on his race, color, and national origin and retaliation against employees for engaging in protected activities; (2) an order directing MSU to promote him to Associate Professor in the Political Science Department with all compensation, privileges and benefits associated with such rank and title or, alternatively, front pay; (3) back pay; (4) compensatory damages for past and future emotional distress, injuries to reputation, and other non-pecuniary injuries; (5) prejudgment and post judgment interest at the rates provided by law; and (6) attorney and expert fees and court costs.

The Office of the Attorney General of Texas is representing MSU in the litigation.

### Note 16: Subsequent Events

On September 15, 2016, the university issued Series 2016A revenue and refunding bonds in the amount of \$72,250,000 and Series 2016B revenue refunding bonds in the amount of \$11,790,000. \$49,845,000 of the proceeds from the sale of the Series 2016A Bonds will be used for the construction of a new, 84,000 gross square foot health sciences and human services building with the consolidation of the previously separately housed Simulation Center, along with substantial renovations to Moffett Library, minor renovations and code improvements to Bridwell Hall, Bolin Hall, the Fain Fine Arts Center, and the Hardin Administration building, the relocation of Information Technology to a more secure building on campus, and other essential infrastructural, electrical, HVAC and ADA upgrades and improvements across campus. The additional debt service for these projects will be funded with tuition revenue bond retirement appropriations, authorized by the 84<sup>th</sup> Texas Legislature.

The remaining proceeds of \$22,405,000 from the sale of the Series 2016A bonds will be used to advance refund a portion of the university's outstanding Series 2008 and Series 2010 revenue bonds. Additionally, the entire proceeds of \$11,790,000 from the sale of the Series 2016B revenue refunding bonds will be used to advance refund the remaining 2008 Series revenue bonds on a taxable basis.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

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### Note 17: Risk Management

Midwestern State 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. MSU participates in the statewide property insurance program and purchases educators legal liability insurance. The university also purchases liability insurance for its directors and officers through the State Office of Risk Management, to protect the insured directors and officers against claims involving allegations of wrongful acts occurring while in their capacity as directors and officers. Coverage also extends to employees and includes Employment Practices Liability claims for harassment, discrimination, wrongful termination, retaliation, etc.

The university's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. At August 31, 2016, there were no known claim liabilities. See Note 15 for additional information regarding pending litigation.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for university employees. The university was assessed \$96,619.61 and \$86,158.18 for workers' compensation coverage for fiscal years ending August 31, 2016 and 2015, 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. MSU must pay 100% of the cost of benefits for employees paid from local funds.

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

### Note 18: Management's Discussion and Analysis

See Introduction.

### Note 19: The Financial Reporting Entity

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

The Midwestern State University Foundation and 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 \$1,439,123 to MSU during the year ended August 31, 2016, and \$809,372 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$1,078,435 to the university during the year ended August 31, 2016 and \$877,711 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2016 are reported by their trustees in the amount of \$22,225,000.00 and \$27,457,968.03, respectively.

### Note 20: Stewardship, Compliance and Accountability

Note 1, *Summary of Significant Accounting Policies*, discusses the generally accepted accounting principles upon which the financial statements are based. The university had no violations of bond or note covenants. Per State law, the university cannot spend amounts in excess of appropriations granted by the Texas Legislature. There are no deficits reported in net position.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 21: Not Applicable to the AFR**

**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 gift

For the fiscal year ended August 31, 2016, the net appreciation on investments of donor restricted endowments available for authorization of expenditure, after distributions, is as follows:

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Position
True Endowments	None	Restricted for Nonexpendable
Term Endowments	\$555,150.10	Restricted for Nonexpendable
True Endowments	None	Restricted for Expendable

**Note 23: Extraordinary and Special Items**

Not Applicable.

**Note 24: Disaggregation of Receivable and Payable Balances**

**Accounts Receivables**

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

Accounts Receivable Category	Current Amount
3rd Party Contracts on Student Receivables	\$1,068,736.16
Summer Camp Programs Receivable	8,507.00
Follett Bookstore Receivable	93,359.11
Employee Travel Advances	1,870.17
Payroll Advances and Receivables	3,638.54
Endowment Distribution Receivable	129,617.76
Gifts Receivable	100,000.00
Insurance Recovery Proceeds Receivable	135,603.57
Other Miscellaneous Receivables	182.70
<b>Total</b>	<b>\$1,541,515.01</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

## Notes To The Financial Statements - Unaudited

**Note 27: Service Concession Arrangements**

Not Applicable.

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

The \$841,200.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2017.

<b>Deferred Inflows and Outflows Related to Pensions:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 98,852.00	\$ 369,640.00
Changes of assumptions	415,478.00	343,139.00
Net difference between projected and actual investment return	607,002.00	
Change in proportion and contribution difference		358,243.00
Contributions subsequent to the measurement date	841,200.00	
Unamortized Loss on Debt Refunding	625,682.30	
<b>Total</b>	<b>\$2,588,214.30</b>	<b>\$1,071,022.00</b>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended August 31</b>	<b>Amount of Pension Expense to be Recognized</b>
2017	(72,421.00)
2018	(72,421.00)
2019	(72,422.00)
2020	514,838.00
2021	(83,532.00)
Thereafter	(163,732.00)

The \$625,682.30 ending deferred outflows balance was related to unamortized losses on refunding debt. The difference between the reacquisition price and net carrying value of the refunded old debt is deferred and reported as deferred outflows or inflows, depending on if it nets to a gain or loss. The deferred amount is then amortized over the shorter of the life of the new debt or life of the old debt. In this case, the deferred outflow will be fully amortized in fiscal year 2017, over the life of the old debt, as a component of interest expense.

**Note 29: Troubled Debt Restructuring**

Not Applicable.

**Note 30: Non-Exchange Financial Guarantees**

Not Applicable.

ANNUAL FINANCIAL REPORT

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# Midwestern State University

Unaudited

**Schedule 1A - Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2016, with Comparative Totals for the Year Ended August 31, 2015**

ANNUAL FINANCIAL REPORT

	CFDA Number	ID #	Univ/Agy #	Pass-Through From		
				Agency Amount	University Amount	Non-State Entities Amount
<u>National Endowment for the Humanities</u>						
Promotion of the Humanities—Federal/State Partnership	45.129					
Promotion of the Humanities—Public Programs	45.164					
Totals—National Endowment for the Humanities						
<u>Institute of Museum and Library Services</u>						
Pass-Through From:						
Texas State Library and Archives Commission (TSLAC)						
Grants to States	45.310		306	\$4,136.47		
<u>Small Business Administration</u>						
Pass-Through From:						
TTU-Small Business Development Center						
	59.037		733		\$106,993.93	
<b>Research Cluster</b>						
<u>U.S. Department of the Interior</u>						
National Land Remote Sensing Education Outreach & Research	15.815					
<u>National Science Foundation</u>						
Education and Human Resources	47.076					
<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					
Federal Perkins Loan Program	84.038					
Teacher Education Assistance for College & HE Grants (TEACH)	84.379					
Total Student Financial Assistance Cluster Programs						
<b>TRIO Cluster</b>						
<u>U.S. Department of Education</u>						
Direct Programs						
TRIO—Student Support Services	84.042					
Total Federal Financial Assistance				\$4,136.47	\$106,993.93	

Direct Program	Total of Pass-Through From & Direct Program	Pass-Through To		Expenditures	2016	2015
		Agency or Univ Amount	Non-State Entities Amount		Total PT To and Expenditures Amount	Total PT To and Expenditures Amount
\$ 3,070.00	\$ 3,070.00			\$ 3,070.00	\$ 3,070.00	
6,738.63	6,738.63			6,738.63	6,738.63	\$ 3,261.37
9,808.63	9,808.63			9,808.63	9,808.63	3,261.37
	4,136.47			4,136.47	4,136.47	7,552.94
	106,993.93			106,993.93	106,993.93	120,828.05
23,392.49	23,392.49			23,392.49	23,392.49	
67,087.15	67,087.15			67,087.15	67,087.15	3,781.62
150,739.00	150,739.00			150,739.00	150,739.00	129,158.00
129,348.47	129,348.47			129,348.47	129,348.47	159,356.70
8,529,342.03	8,529,342.03			8,529,342.03	8,529,342.03	8,474,924.37
29,810,337.00	29,810,337.00			29,810,337.00	29,810,337.00	28,207,746.00
(14,438.59)	(14,438.59)			(14,438.59)	(14,438.59)	
140,100.00	140,100.00			140,100.00	140,100.00	100,895.00
38,745,427.91	38,745,427.91			38,745,427.91	38,745,427.91	37,072,080.07
206,519.92	206,519.92			206,519.92	206,519.92	217,427.66
<b>\$39,052,236.10</b>	<b>\$39,163,366.50</b>			<b>\$39,163,366.50</b>	<b>\$39,163,366.50</b>	<b>\$37,424,931.71</b>

# Midwestern State University

## Note 1: Nonmonetary Assistance

Not Applicable

### Note 2: Reconciliation

	08/31/2016
Federal Revenues—Per Exhibit II	
Federal Grant Revenue—Operating	\$ 712,557.07
Federal Grant Revenue—Non-Operating	8,529,342.03
Federal Pass-through Revenue—Operating	106,993.93
Federal Pass-through Revenue—Non-Operating	4,136.47
Total Federal Revenues	<u>9,353,029.50</u>
Reconciling Items: New Loans Processed	
Federal Direct Student Loans Processed	<u>29,810,337.00</u>
	<u>\$39,163,366.50</u>

### Note 3a: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/Program Name	Beginning Balance of Outstanding Loans as of 8/31/15	New Loans Processed, does not include Admin Cost Recovered	*CY Admin Cost Recovered, includes PYs only if applicable
U.S. Department of Education			
84.038 Federal Perkins Loan Program			\$(14,438.59)
84.268 Federal Direct Student Loans Program		\$29,810,337.00	
Total Department of Education		<u>\$29,810,337.00</u>	<u>\$(14,438.59)</u>

Federal Grantor/CFDA Number/Program Name	Total Loans Processed & Admin Cost Recovered	Repayment/ Adjustment Activity (PY + CY)	**Outstanding Balance of Loans as of 8/31/16, includes
U.S. Department of Education			
84.038 Federal Perkins Loan Program	\$ (14,438.59)	\$ (14,438.59)	
84.268 Federal Direct Student Loans Program	29,810,337.00	29,810,337.00	
Total Department of Education	<u>\$29,795,898.41</u>	<u>\$29,795,898.41</u>	

### Note 4: Depository Libraries for Government Publications

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

### Note 5: Unemployment Insurance

Not Applicable

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

Not Applicable

### Note 7: Federal Deferred Revenue

CFDA Number/Program Name	Federal Deferred Revenue 09/01/15	Increase / (Decrease)	Federal Deferred Revenue 08/31/16
15.815 National Land Remote Sensing Education Outreach and Research		\$107.51	\$107.51



# 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>2016</u>	<u>2015</u>
Pass-Through From:		
UT System (Agy #720) - Joint Admission Medical Program (JAMP)	\$ 9,919.51	\$ 4,850.23
Texas Commission on the Arts (TCA—Agy #813)		
Arts Create		5,000.00
Arts Respond	1,850.00	3,500.00
Texas State Board of Public Accountancy (TSBPA—Agy #457)		
5th Year Accounting	3,918.00	4,000.00
Texas Higher Education Coordinating Board (Agy #781)		
College Work Study Program	32,699.00	31,126.00
Engineering Recruitment Program	12,900.00	10,311.62
TEXAS Grant Program	4,408,436.00	3,220,000.00
Top 10% Scholarships	43,200.00	47,400.00
Total Operating Pass-Through Revenue (Exhibit II)	<u>\$4,512,922.51</u>	<u>\$3,326,187.85</u>
 <u>Non-Operating Revenue:</u>		
Pass-Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
Nursing & Allied Health	\$ 14,289.23	\$ 99,871.00
Total Non-Operating Pass-Through Revenue (Exhibit II)	<u>\$ 14,289.23</u>	<u>\$ 99,871.00</u>

Pass-Through To:

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# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2A - Miscellaneous Bond Information**  
**For the Fiscal Year Ended August 31, 2016**

**Business Type Activities**

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
<b>Revenue Bonds:</b>					
<b>Revenue and Refunding Bonds:</b>					
Series 2003	\$ 13,180,000.00	2.00% - 5.00%	2003	2013	12-01-13
<b>Revenue and Refunding Bonds:</b>					
Series 2007	28,855,000.00	4.00% - 4.625%	2008	2032	12-01-16
<b>Revenue and Refunding Bonds:</b>					
Series 2008	38,548,709.68	3.00% - 5.25%	2008	2034	12-01-18
<b>Revenue Bonds:</b>					
Series 2010	6,700,000.00	4.00% - 5.00%	2012	2036	12-01-20
<b>Revenue and Refunding Bonds:</b>					
Series 2012A	4,710,000.00	2.00% - 2.25%	2013	2020	12-01-20
<b>Revenue and Refunding Bonds:</b>					
Series 2012B	5,415,000.00	0.50% - 3.25%	2013	2024	12-01-24
<b>Revenue and Refunding Bonds:</b>					
Series 2015A	53,335,000.00	2.00% - 5.00%	2016	2045	06-01-25
<b>Revenue and Refunding Bonds:</b>					
Series 2015B	<u>3,755,000.00</u>	0.515%-2.957%	2016	2022	None
<b>Total</b>	<b><u>\$154,498,709.68</u></b>				

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# Midwestern State University

Unaudited

Midwestern State University  
 Schedule 2B - Changes in Bonded Indebtedness  
 For the Fiscal Year Ended August 31, 2016

Business Type Activities

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Description of Issue	Bonds Outstanding 09-01-2015	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2016
<b>Revenue Bonds:</b>					
Revenue Financing System Revenue & Refunding Bonds: Series 2007	\$ 2,970,000.00		\$1,455,000.00		\$ 1,515,000.00
Revenue Financing System Revenue & Refunding Bonds: Series 2008	32,833,327.61	\$155,035.15 *	1,180,000.00		31,808,362.76
Revenue Financing System Revenue Bonds: Series 2010	6,065,000.00		180,000.00		5,885,000.00
Revenue Financing System Revenue & Refunding Bonds: Series 2012A	3,825,000.00		615,000.00		3,210,000.00
Revenue Financing System Revenue & Refunding Bonds: Series 2012B	5,155,000.00		70,000.00		5,085,000.00
Revenue Financing System Revenue & Refunding Bonds: Series 2015A	53,335,000.00		630,000.00		52,705,000.00
Revenue Financing System Revenue & Refunding Bonds: Series 2015B	3,755,000.00		40,000.00		3,715,000.00
Total	<u>\$107,938,327.61</u>	<u>\$155,035.15</u>	<u>\$4,170,000.00</u>		<u>\$103,923,362.76</u>

\*Accretion on Capital Appreciation Bonds

<u>Amounts Due Within One Year</u>	<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Net Bonds Outstanding 08-31-2016</u>	<u>Amounts Due Within One Year</u>
\$1,515,000.00			\$ 1,515,000.00	
345,136.10	\$ 61,274.39		31,869,637.15	\$ 61,274.39
185,000.00			5,885,000.00	
630,000.00			3,210,000.00	
515,000.00			5,085,000.00	
240,000.00	2,664,250.54		55,369,250.54	95,151.81
10,000.00			3,715,000.00	
<u>\$3,440,136.10</u>	<u>\$2,725,524.93</u>	<u></u>	<u>\$106,648,887.69</u>	<u>\$156,426.20</u>

# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2C - Debt Service Requirements**  
**For the Fiscal Year Ended August 31, 2016**

**Business Type Activities**

Description of Issue	2017	2018	2019	2020	2021-25
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2007</b>					
Principal	\$1,515,000.00				
Interest	30,300.00				
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2008</b>					
Principal	1,205,000.00	\$1,230,000.00	\$1,285,000.00	\$1,335,000.00	\$ 7,610,000.00
Interest	2,313,121.40	1,428,657.50	1,378,357.50	1,325,957.50	5,687,335.00
<b>Revenue Financing System Revenue Bonds:</b>					
<b>Series 2010</b>					
Principal	185,000.00	195,000.00	205,000.00	215,000.00	1,225,000.00
Interest	267,481.26	257,981.26	247,981.26	237,481.26	1,020,631.30
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2012A</b>					
Principal	630,000.00	645,000.00	660,000.00	675,000.00	600,000.00
Interest	59,400.00	46,650.00	33,600.00	20,250.00	6,750.00
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2012B</b>					
Principal	515,000.00	520,000.00	535,000.00	550,000.00	2,965,000.00
Interest	126,113.43	117,778.56	107,612.61	95,594.16	236,903.39
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2015A</b>					
Principal	240,000.00	305,000.00	875,000.00	880,000.00	7,570,000.00
Interest	2,332,106.26	2,323,931.26	2,297,481.26	2,253,606.26	10,365,656.30
<b>Revenue Financing System Revenue and Refunding Bonds:</b>					
<b>Series 2015B</b>					
Principal	10,000.00	1,550,000.00	1,055,000.00	460,000.00	640,000.00
Interest	71,063.27	60,504.26	39,922.80	24,204.70	23,764.95
Total	\$9,499,585.62	\$8,680,502.84	\$8,719,955.43	\$8,072,093.88	\$37,951,040.94
Less Interest	(5,199,585.62)	(4,235,502.84)	(4,104,955.43)	(3,957,093.88)	(17,341,040.94)
<b>Total Principal</b>	<b>\$4,300,000.00</b>	<b>\$4,445,000.00</b>	<b>\$4,615,000.00</b>	<b>\$4,115,000.00</b>	<b>\$20,610,000.00</b>

ANNUAL FINANCIAL REPORT

<u>2026-30</u>	<u>2031-35</u>	<u>2036-40</u>	<u>2041-45</u>	<u>Total Requirements</u>
				\$ 1,515,000.00
				30,300.00
\$ 9,430,000.00	\$ 9,800,000.00			31,895,000.00
3,720,468.75	1,181,775.00			17,035,672.65
1,515,000.00	1,905,000.00	\$ 440,000.00		5,885,000.00
701,987.55	328,509.38	10,175.00		3,072,228.27
				3,210,000.00
				166,650.00
				5,085,000.00
				684,002.15
10,045,000.00	9,060,000.00	10,030,000.00	\$13,700,000.00	52,705,000.00
8,032,156.30	5,727,581.30	3,865,331.30	1,480,190.69	38,678,040.93
				3,715,000.00
				219,459.98
\$33,444,612.60	\$28,002,865.68	\$14,345,506.30	\$15,180,190.69	\$163,896,353.98
(12,454,612.60)	(7,237,865.68)	(3,875,506.30)	(1,480,190.69)	(59,886,353.98)
<b>\$20,990,000.00</b>	<b>\$20,765,000.00</b>	<b>\$10,470,000.00</b>	<b>\$13,700,000.00</b>	<b>\$104,010,000.00</b>
			Less Unamortized Accretion	(86,637.24)
				<b>\$103,923,362.76</b>

# Midwestern State University

Unaudited

Midwestern State University  
 Schedule 2D - Analysis of Funds Available for Debt Service  
 For the Year Ended August 31, 2016

Business Type Activities  
 Description of Issue

Pledged and Other Sources and Related Expenditures for FY 2016

A  
N  
N  
U  
A  
L  
  
F  
I  
N  
A  
N  
C  
I  
A  
L  
  
R  
E  
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R  
T

Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
<b>Revenue Financing System Revenue Bonds</b>				
<b>Revenue and Refunding Bonds:</b> Series 2007			\$1,455,000.00	\$ 91,518.75
<b>Revenue and Refunding Bonds:</b> Series 2008			1,180,000.00	1,476,857.50
<b>Revenue Bonds</b> Series 2010			180,000.00	276,606.25
<b>Revenue and Refunding Bonds:</b> Series 2012A			615,000.00	71,850.00
<b>Revenue and Refunding Bonds:</b> Series 2012B			70,000.00	130,337.01
<b>Revenue and Refunding Bonds:</b> Series 2015A		\$31,280,975.19	630,000.00	2,152,837.14
<b>Revenue and Refunding Bonds:</b> Series 2015B			40,000.00	65,463.95
<b>Total for all Revenue Financing System Revenue Bonds</b>	<b>\$68,294,384.88</b>	<b>\$31,280,975.19</b>	<b>\$4,170,000.00</b>	<b>\$4,265,470.60</b>



# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2E - Defeased Bonds Outstanding**  
**For the Fiscal Year Ended August 31, 2016**

**Business Type Activities**

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
Revenue Financing System Revenue and Refunding Bonds Series 2003	2015	\$ 600,000.00
Revenue Financing System Revenue and Refunding Bonds Series 2007	2015	<u>17,595,000.00</u>
<b>Total</b>		<b><u>\$ 18,195,000.00</u></b>

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Year  
Ended  
8-31-2016  
(UNAUDITED)

# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2F - Early Extinguishment and Refunding**  
**For the Fiscal Year Ended August 31, 2016**

**Business Type Activities**

A  
N  
N  
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A  
L

F  
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N  
A  
N  
C  
I  
A  
L

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E  
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T

Description of Issue	Category	Amount Extinguished/ Refunded	Refunded Issued Par Value	Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
None for the Year Ended August 31, 2016		_____	_____	_____	_____
		_____	_____	_____	_____

# 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 2016	Prior Year 2015
General Revenue - Dedicated Fund 0264	\$2,375,460.44		\$2,375,460.44	\$3,216,892.05
Special Mineral Fund - Fund 0412	7,269.14		7,269.14	10,302.99
<b>Total Cash – State Treasury (Stmnt of Net Position)</b>	<b><u>\$2,382,729.58</u></b>		<b><u>\$2,382,729.58</u></b>	<b><u>\$3,227,195.04</u></b>

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Year  
Ended  
8-31-2016  
(UNAUDITED)

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