

**Midwestern State University
Financial Report
(Unaudited)
For The Year Ended
August 31, 2010**



Midwestern State University

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Midwestern State University

ORGANIZATIONAL DATA August 31, 2010

THE BOARD OF REGENTS

Term Expires May 31, 2011

Mr. David Reyna, Student Regent	Wichita Falls
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Term Expires February 25, 2012

Dr. F. Lynwood Givens	Plano
Dr. Carol Carlson Gunn	Graford
Mr. Samuel M. Sanchez	Keller

Term Expires February 25, 2014

Mr. Charles E. Engelman	Wichita Falls
Mr. Shawn G. Hessing	Fort Worth
Ms. Jane W. Spears	Wichita Falls

Term Expires February 25, 2016

Mr. Michael Bernhardt	Wichita Falls
Mr. J. Kenneth Bryant	Wichita Falls
Ms. Tiffany D. Burks	Grand Prairie

Ms. Kathryn A. Yeager, Regent Emeritus

PRESIDENT

Dr. Jesse W. Rogers

UNIVERSITY FISCAL OFFICERS

Mr. Juan R. Sandoval	Vice President for Administration & Finance
Ms. Gail Ferguson	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, 2010 and 2009.

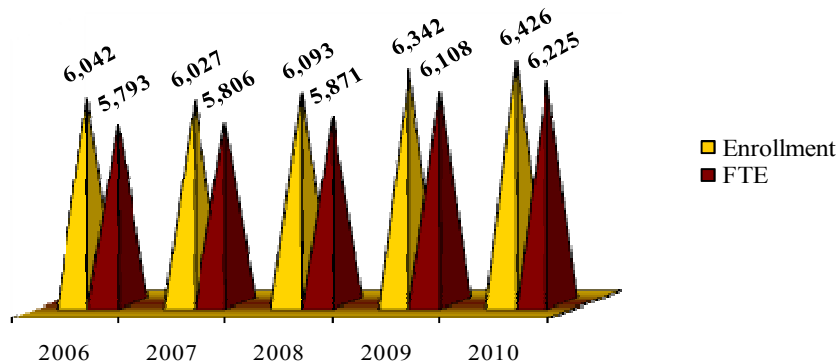
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

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

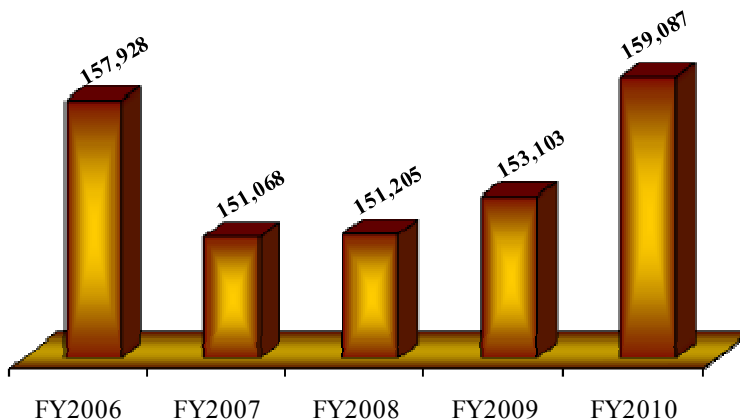
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2006. Increased academic standards and a statewide consistent pattern of very flat student enrollment explain this variance, however enrollment at Midwestern State University continues to steadily improve, in spite of a very flat population growth for this region.

Beginning in 2006, the university changed its academic standards to ensure students were prepared to pursue higher education. The increase in standards has created growth in student retention as more of our freshmen are better prepared for college which also improves graduation rates. Graduation rates may become financially important to the university as future state appropriations are contingent on such successful outcomes. In addition, the university is one of the few institutions in Texas capable of offering in-state tuition rates plus a \$30/semester credit hour assessment to all US citizens, which is a great positive impact on future enrollment. Headcount enrollment and enrolled semester credit hours continue to improve since the lows of 2007.

Fall Headcount vs FTE



Total Enrolled Semester Credit Hours



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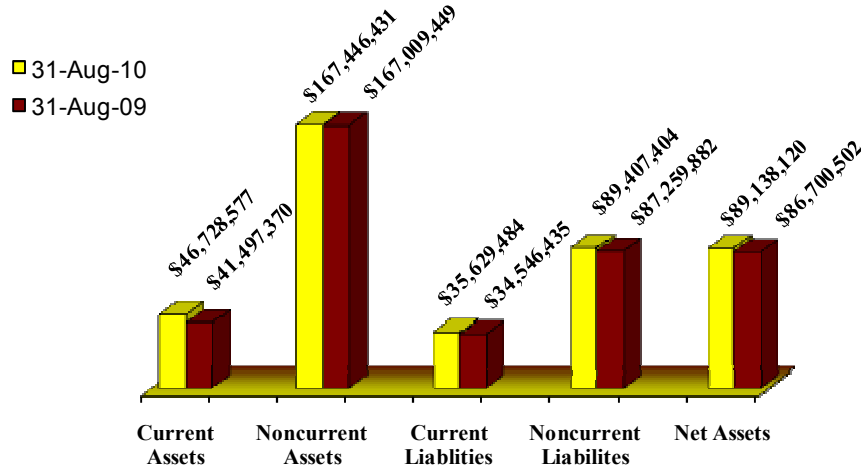
Midwestern State University

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The Statement of Net Assets

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

These comparative statements report the current status and changes to the university's net assets. Net assets, the difference between assets and liabilities, is one way to measure the university's financial position. Increases in net assets 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.

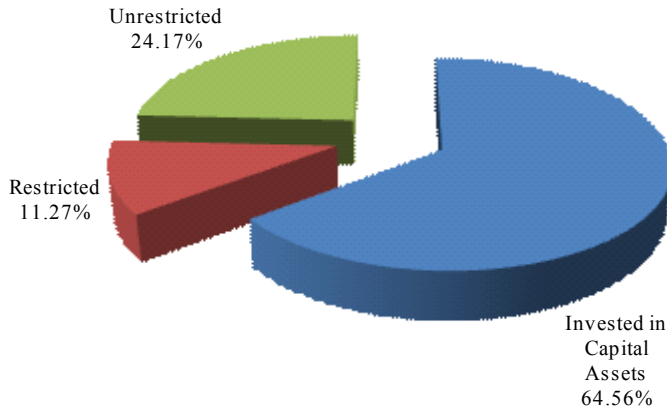
As the statement shows below, the university's net assets increased from \$86,700,502 in 2009 to \$89,138,120 in 2010.

	<u>2010</u>	<u>2009</u>
Current Assets	\$ 46,728,577	\$ 41,497,370
Noncurrent Assets:		
Capital Assets	141,852,208	138,903,617
Other	25,594,223	28,105,832
Total Assets	<u>\$214,175,008</u>	<u>\$208,506,819</u>
Current Liabilities	\$ 35,629,484	\$ 34,546,435
Noncurrent Liabilities	89,407,404	87,259,882
Total Liabilities	<u>125,036,888</u>	<u>121,806,317</u>
Net Assets:		
Invested in Capital Assets	57,549,239	57,472,471
Restricted for:		
Debt Retirement		
Nonexpendable	3,705,061	3,657,180
Expendable:		
Capital Projects	1,890,072	1,160,841
Restricted by Contributor	4,447,794	4,772,136
Unrestricted	21,545,954	19,637,874
Total Net Assets	<u>89,138,120</u>	<u>86,700,502</u>
Total Liabilities and Net Assets	<u>\$214,175,008</u>	<u>\$208,506,819</u>

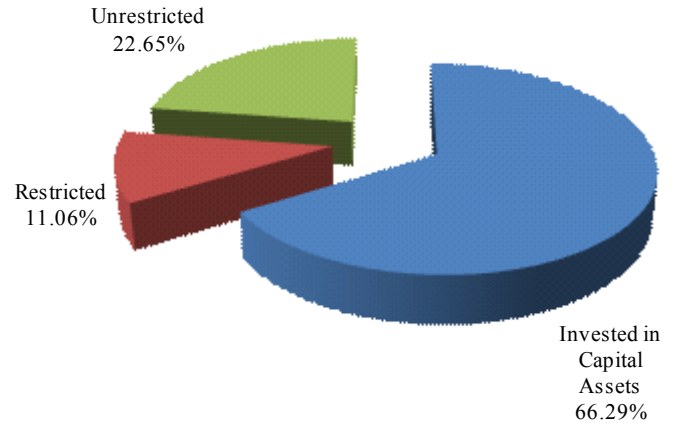
Midwestern State University Management's Discussion & Analysis - Unaudited

The following charts indicate the changes in net assets for the year ended August 31, 2010 as compared to the previous year.

Net Assets - August 31, 2010

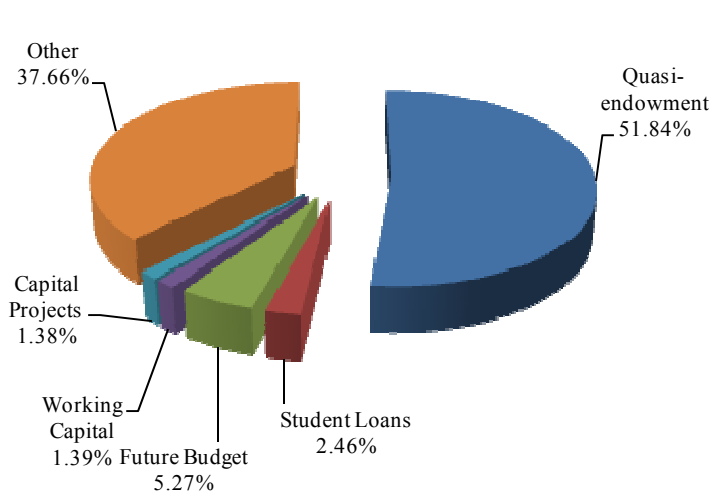


Net Assets - August 31, 2009

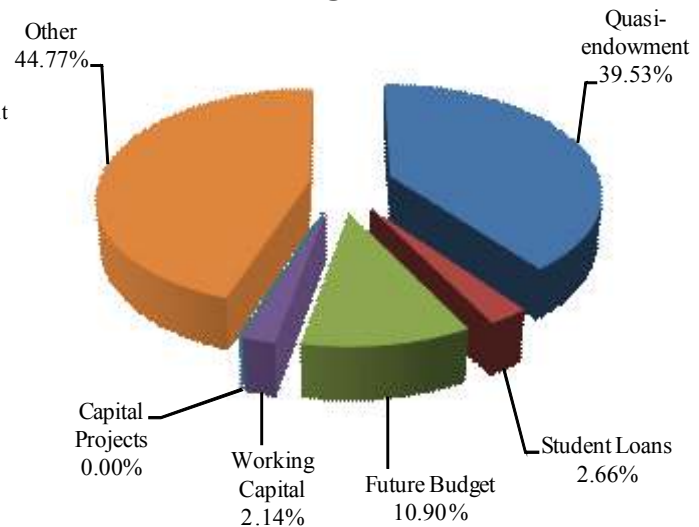


The university reports unrestricted net assets of 24.17% for the year ended August 31, 2010 and 22.65% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The category of other unrestricted net assets includes encumbrances, inventories, and unallocated unrestricted net assets. The following charts show how funds have been allocated:

**Allocation of Unrestricted Net Assets
August 31, 2010**



**Allocation of Unrestricted Net Assets
August 31, 2009**



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Midwestern State University

Management's Discussion & Analysis - Unaudited

The University's Results of Operations

The statement of revenues, expenses, and changes in net assets reflects the university's operating results for the fiscal years ended August 31, 2010 and 2009. The comprehensive statements indicate the financial condition of the university, and comparatively analyze in what direction the university is moving. The following statements reveal the operating results of the university, as well as the non-operating revenues and expenditures. Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and food services. Certain federal, state, and private grants are considered operating revenues if they are not for capital purposes and are considered a contract for services. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

The statement below compares the operating results of the university for the years ended August 31, 2010 and 2009.

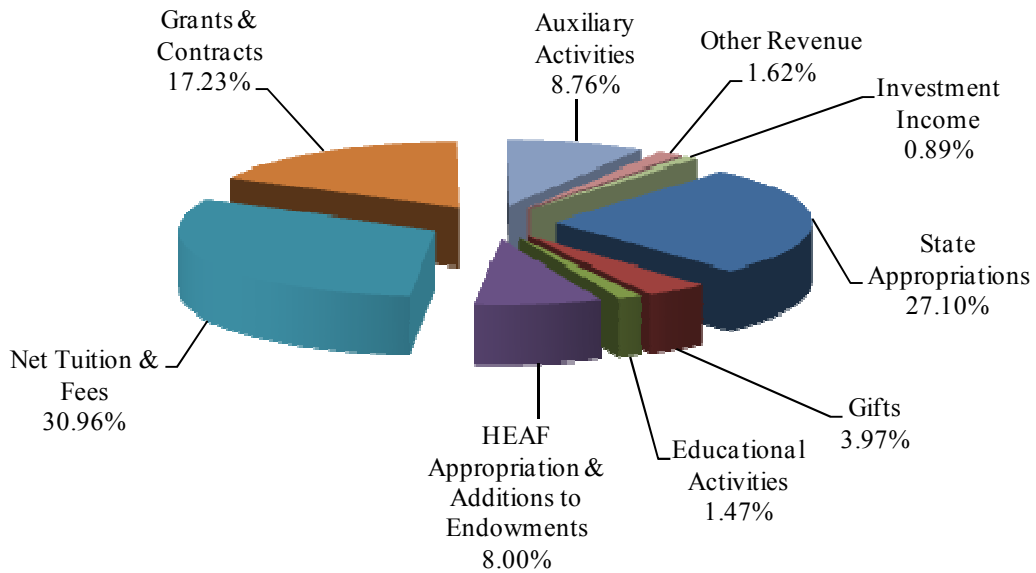
	<u>2010</u>	<u>2009</u>
Operating Revenue:		
Net tuition and fees	\$ 27,232,058	\$ 26,643,222
Grants and contracts	5,629,160	5,238,243
Sales and Service of Educational Activities	1,295,668	1,024,507
Sales and Services of Auxiliary Enterprises	7,702,512	6,026,988
Other	1,436,170	1,352,382
Total Operating Revenue	43,295,568	40,285,342
Total Operating Expenses	(82,983,797)	(74,817,215)
Operating Loss	(39,688,229)	(34,531,873)
Nonoperating Revenues (Expenses):		
State Appropriations	23,832,099	23,899,147
Legislative Appropriations Lapsed		(118,918)
Federal Grants	9,525,830	5,211,143
Gifts	3,491,801	4,866,258
Other Nonoperating Revenues (Expenses)	(14,885)	14,948
Investment Income	778,884	1,343,754
Net Increase (Decrease) in Fair Value of Investments	65,892	(150,678)
Net Book Value of Capital Asset Disposals	(18,881)	(92,907)
Interest Expense on Capital Asset Financing	(3,447,048)	(1,369,365)
Total Nonoperating Revenue (Expense)	34,213,692	33,603,382
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(5,474,537)	(928,491)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	345,000	1,888,800
HEAF Appropriation	3,810,377	3,810,377
Additions to Endowments	3,225,661	7,255,423
Transfers In	1,396,024	734,046
Transfers Out	(864,907)	(715,715)
Increase (Decrease) in Net Assets	2,437,618	12,044,440
Net Assets, Beginning of Year	86,700,502	74,656,062
Net Assets, End of Year	\$ 89,138,120	\$ 86,700,502

Year Ended
8-31-2010
(UNAUDITED)

Midwestern State University Management's Discussion & Analysis - Unaudited

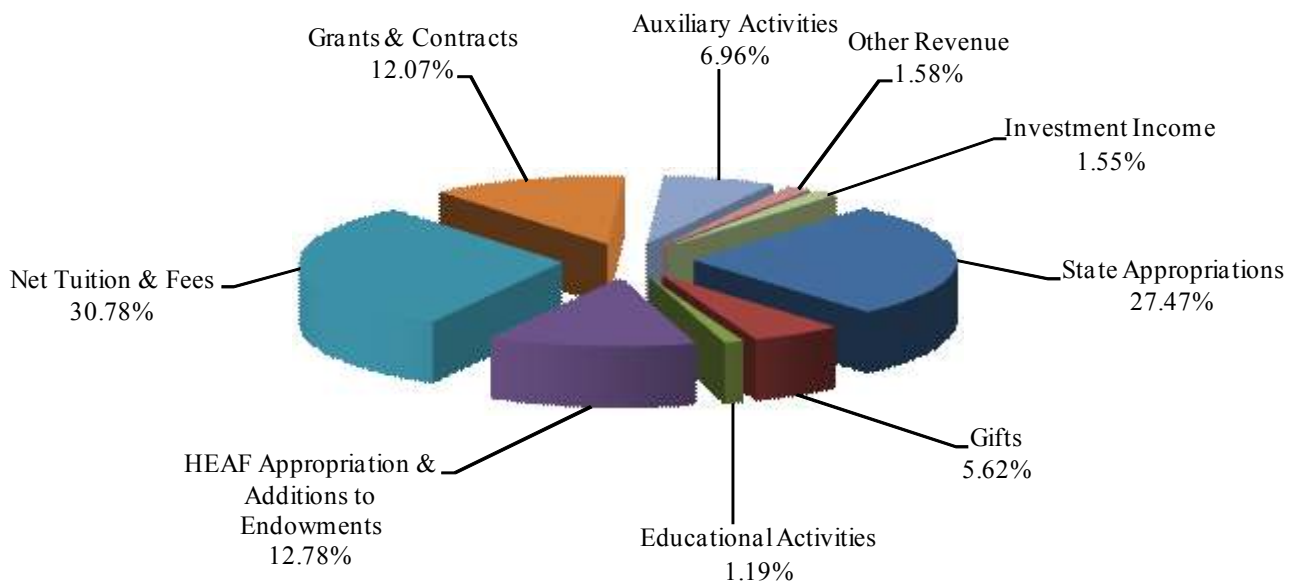
This chart identifies the components of total revenue for the year ended August 31, 2010.

Total Revenue - August 31, 2010



This chart reflects the same information for the year ended August 31, 2009.

Total Revenue - August 31, 2009



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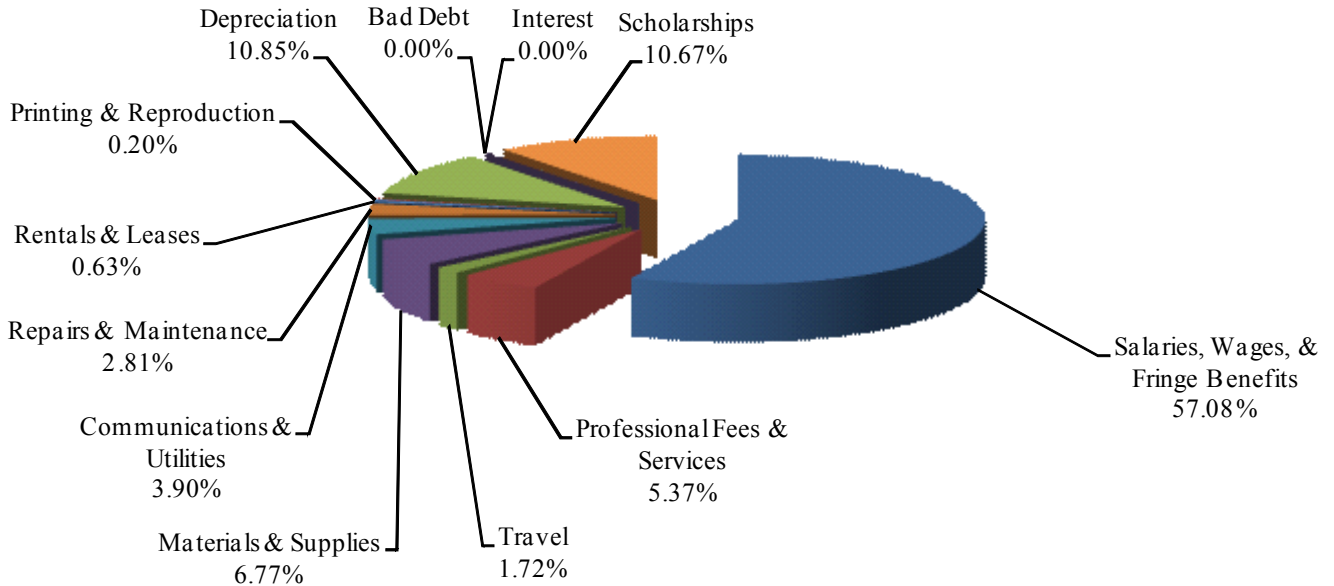
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Midwestern State University

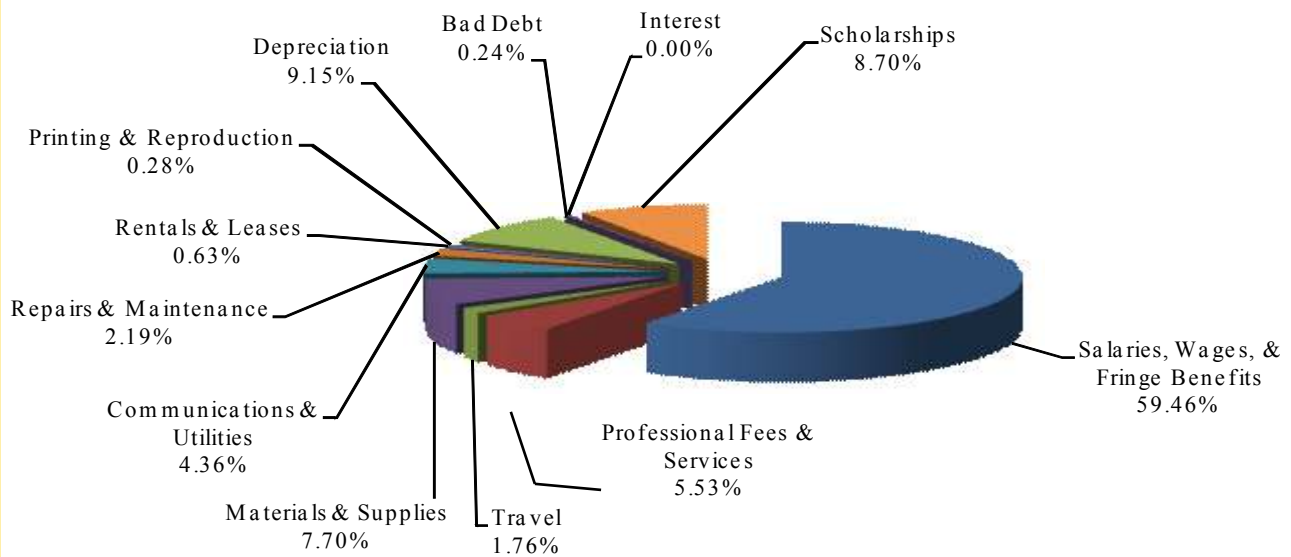
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Total operating expenses for the year ended August 31, 2010 were \$82,983,797 as compared to \$74,817,215 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2010 and fiscal year 2009.

Total Operating Expenses - August 31, 2010



Total Operating Expenses - August 31, 2009



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The University's Cash Flows

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

	<u>Cash Flows</u>	
	<u>2010</u>	<u>2009</u>
Cash provided (used) by:		
Operating activities	\$(31,432,780)	\$(27,573,337)
Noncapital financing activities	41,967,795	38,690,474
Capital and related financing activities	(5,755,855)	(34,840,565)
Investing activities	<u>(5,922,889)</u>	<u>25,861,043</u>
Net increase (decrease) in cash	(1,143,729)	2,137,615
Cash – Beginning of year	<u>6,202,181</u>	<u>4,064,566</u>
Cash – End of year	<u>\$ 5,058,452</u>	<u>\$ 6,202,181</u>

There was a net decrease in cash of \$1,143,729.

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 \$28.8 million, grants accounted for \$4.9 million and auxiliary enterprises, including housing and dining, accounted for \$8.1 million.

State appropriations in the amount of \$26 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 \$3.4 million and additions to endowments in the amount of \$3.1 million.

The main uses of capital and related financing activities came from the financing of renovations to D.L. Ligon Coliseum, Fain Instrumental Music Hall, and renovations to Pierce and Killingsworth dormitories, and the Bridwell building. Cash was used to purchase capital assets in the amount of \$10.5 million and for the payment of principal and interest on capital debt in the amount of \$7.2 million.

Midwestern State University

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Capital Assets and Debt Administration

Capital Assets

As of August 31, 2010, the university had \$141.8 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$89.5 million. Depreciation charges totaled \$9 million for the current fiscal year. The category of other capital assets includes library holdings, artwork, and collections. Assets by classification are shown below.

Capital Assets Before Accumulated Depreciation

	<u>2010</u>	<u>2009</u>
Land and Land Improvements	\$ 4,933,518	\$ 4,798,707
Construction in Progress	476,298	4,070,380
Buildings and Building Improvements	178,656,165	164,487,287
Infrastructure	10,463,927	10,463,927
Facilities Improvements	6,353,046	6,353,046
Furniture and Equipment	11,746,579	14,106,212
Vehicles	1,458,796	1,342,084
Other Capital Assets	<u>15,029,483</u>	<u>14,928,812</u>
Total	<u>\$229,117,812</u>	<u>\$220,550,455</u>

Additions to assets of \$12 million during fiscal year 2009-2010 included: renovations to Bridwell Hall, D.L. Ligon Coliseum, Pierce and Killingsworth dormitories, and completion of the Fain Instrumental Music Hall.

The construction in progress at the end of the year is primarily renovations of D.L. Ligon Coliseum and McCullough Hall.

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

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Debt

At year-end, the university had \$141 million in outstanding debt. Outstanding debt for the year ended August 31, 2009 was \$138 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2010 compared with August 31, 2009.

	<u>2010</u>	<u>2009</u>
Revenue Bonds	\$ 86,940,136	\$ 82,845,136
General Obligation Bonds (HEAF)	5,515,000	6,770,000
Accrued long term interest payable on bonds	49,378,291	48,347,623
Total	<u>\$ 141,833,427</u>	<u>\$137,962,759</u>

Debt repayments made during the year included principal in the amount of \$3,860,000 and interest in the amount of \$3,447,048.

Moody's Investor Services has assigned an A2 bond rating to the university's bonds, and Fitch has assigned an AA- rating. More detailed bond information is disclosed in Schedule 2A, 2B, 2C, 2D, and 2E.

Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU) continues to focus on its mission in order to offer the highest quality education to all of its students. MSU's mission was modified in the Texas Education Code by the 81st Legislature. MSU is now the only designated public liberal arts university in the State of Texas. It is clear that Midwestern State has focused its mission and is working toward excellence in undergraduate education.

Recent University Progress

- The completion of the Dillard College of Business Administration building, the Bruce & Graciela Redwine Student Wellness Center, and the Fain Instrumental Music Hall, as well as the renovation of the D.L. Ligon Coliseum and the complete rebuilding of the Fowler building into a modern engineering laboratory facility provides our students with the space, equipment, and technology to provide them the most up-to-date training and education in their fields of study.
- In addition to the completion of these buildings, the university completed and occupied in the fall 2009 the Sundance Court, an apartment style residence that accommodates nearly 300 students. The university is planning the rehabilitation of buildings just purchased from Christ Academy private school. These facilities will be used to house the Department of Music and the Academic Support and Advising Center. Long range plans include the building of a new library or the complete renovation of the existing Moffett Library which was constructed in 1968. Finally, the university will raze up to eight old buildings that occupy valuable space on the northwest corner of the main campus. This land will be used for new green space to enhance the beauty of the campus. It will also be used for additional student housing since the demographics of the university have shifted so much toward our residential students. The university is delighted that three foundations and seven individuals contributed \$1.23 million to purchase land contiguous to the campus next to the Wichita Falls Museum of Art at Midwestern State University. This land will eventually be developed into student facilities and expansion of the museum that is used as a cultural center for the community and as an education center for the university and public schools.

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- In regard to specific academic accomplishments, MSU as of February 2010 has joined the ranks of business schools accredited by The Association to Advance Collegiate Schools of Business (AACSB International). This is a monumental academic achievement that has been in the planning and working stage for the past ten years. The university is also pleased to be fully accredited by the Accreditation Board for Engineering and Technology (ABET). This will ensure that the graduates of the university's relatively new mechanical engineering program may sit for the professional engineer licensure exam. Finally, the major professional accrediting agency for colleges of education, the National Council for Accreditation of Teacher Education (NCATE), has scheduled a site visit for final accreditation on April 2-6, 2011.
- Grants, gifts, and contributions to Midwestern State continue to be one of the university's most significant financial strong points. The total gifts and grants received in 2009-2010 exceeded \$7 million. The two annual giving campaigns (Annual Fund and President's Excellence Circle) accounted for \$625,000 that go into competitive scholarships, student aid, faculty and student research projects, and the university's honors program.

The most important factors facing MSU continue to be enrollment patterns, graduation rates, state funding levels, and models for distribution of state funds.

Enrollment (Beginning Classes and Retention)

- It was anticipated that the severity of the economic downturn would push most new students into community colleges. This concern did not turn into reality. MSU experienced the largest increase in enrollment in the fall of 2009 that it has experienced since the 1990s. The university's enrollment increased by 249 students resulting in a 4% increase in both headcount and credit hours.
- This pattern of enrollment may be explained in terms of more students returning to complete degrees, but it is also clear that the university's retention of students and graduation of students is on the increase. MSU raised its admissions standards in 2006 after a two decade hiatus in pushing the university's incoming class to higher standards. The results of the 2006 increase were so positive in terms of lowering the number of remedial classes and increasing freshman to sophomore and sophomore to junior retention that the university's Board of Regents voted unanimously on November 6, 2009, to raise admissions standards again beginning fall 2011. This increase in admissions standards, which is consistent with SAT and ACT recommendations for college readiness, as well as the recommendations of the 81st Legislature, will ensure that students entering MSU are prepared to do university-level work. It is a near certainty that the university's graduation rate will escalate. The university's reputation will continue to increase.
- The deregulation of tuition in 2003 had proven to be a boon to most financially starved public institutions in Texas. The administration and board applaud the 81st Legislature for not capping tuition. The trust placed in boards and administrations by the 81st Legislature was critical to our future stability.
- In order to control tuition in a systematic and understandable way, MSU Board of Regents has established a program that will inform and support many students wishing to attend MSU. The Mustangs Guarantee states that MSU will guarantee the payment of tuition and fees of those students from families having an adjusted gross income of less than \$50,000. It is anticipated that this program will encourage students to investigate the cost of a college education rather than eliminating themselves without complete research.



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- Midwestern State is located in one of the few areas of the state in which the population has been static since 1960. However, the university is located within 100 miles of the northwest corner of the Dallas/Fort Worth metroplex. Consequently, the university draws a significant number of high school graduates from this region of Texas. This has helped maintain a constant enrollment at the university and it is now proving to be one of the university's major areas of draw for future college graduates. As a consequence of these demographic patterns, MSU is no longer a regional community university, but it is a traditional residential university of younger students coming from many large metropolitan areas in Texas, 42 states, and 50 different nations. It is clear that the university has prepared for and will experience an enrollment increase. Consequently, it will be a challenge to provide well-prepared faculty and the best equipment to educate these young people. It is critical that the state find means to continue to support its university system by at least funding collegiate inflation and enrollment growth.

State Funding Levels

- The key to a high quality education at MSU and other universities is well-maintained facilities, the most modern teaching equipment and laboratory equipment, and faculty well-prepared to teach university students. The maintenance of older buildings on all campuses in Texas has become and will continue to be an ever increasing cost. The funding of the infrastructure formula was increased by the 81st Legislature for the first time since 1998. This formula funding must continue.
- All universities were delighted that the 81st legislative session abandoned the poor choices of the 80th legislative session which put more money into universities through special items than through the formula system. The use of standard formulas for university funding is critical. It would be highly detrimental if the state returned to highly politicized special item funding of state institutions.
- It is clear that this nation's economy must be rebuilt with a new model and it will take scores of college graduates in order to participate in the new knowledge-based economy. The greatest resource of the State of Texas is a system of higher education which must be maintained with reasonable levels of funding. The university must meet its responsibility by raising private funds from benefactors, as well as using state resources in a most effective and efficient manner. The most important funding matter before the legislature that relates to higher education is the development of a dependable, systematic, non-politicized funding model that will allow universities to plan and prepare for expanding enrollment and increasing the quality of the university to prepare students to compete in the new economy.
- MSU's Board of Regents and administration are pleased with the new funding model put forth by Commissioner Paredes and the Texas Higher Education Coordinating Board (THECB). Due to the incentive model developed by the THECB, the rewarding of universities for the graduation of students (STEM and high-risk) is reasonable and is an incentive that will serve students, the citizens of Texas, and the economy of Texas.
- It is extremely unfortunate that the deep recession that this country and state find itself in shows little signs of abatement. It is clear that states, including Texas, will not be able to fund higher education in a manner recently experienced. In fact, it may be many years before funding growth goes back to those pre-2007 levels. Consequently, universities including MSU must streamline all aspects of their operation, find new educational delivery methodologies, and operate most efficiently in order not to damage the quality of education. Another 5% or even 10% reduction will be difficult to absorb on top of the 5% reduction of this biennium. Anything larger than that will require the reduction of programs, faculty, classes, supplies, equipment, and other important aspects of a university. MSU's administration and Board of Regents stand ready to support the university and the state as it finds its way through these extremely difficult economic times.

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**Midwestern State University
Exhibit I
Comparative Statement of Net Assets
August 31**

		ASSETS	
		2010	2009
Current Assets:			
<u>Cash and Cash Equivalents:</u>			
Cash on Hand	\$	16,000	\$ 16,000
Cash in Bank		1,642,987	3,652,556
Cash in State Treasury		4,708,531	3,513,061
Short-term Investments		25,336,548	16,250,279
State Appropriations		763,482	3,573,642
<u>Restricted:</u>			
Cash and Cash Equivalents:			
Cash in Bank		(1,309,067)	(979,436)
Short-term Investments			
Notes and Loans receivable		14,253	14,761
<u>Net Receivables:</u>			
Student Receivables		4,503,601	4,413,935
Federal Receivables		862,400	254,761
Other Intergovernmental Receivables		2,567	213
Interfund Receivable		122,716	
Interest and Dividends		76,897	79,482
Other Receivables		1,432,341	2,410,943
Pledges receivable		263,906	1,252,874
Consumable Inventories		263,404	297,471
Prepaid Expenses		8,028,011	6,746,828
Total Current Assets		<u>46,728,577</u>	<u>41,497,370</u>
Noncurrent Assets:			
<u>Restricted:</u>			
Cash & Cash Equivalents			
Short-term Investments		16,150,844	16,810,746
Loans and Contracts		93,723	97,061
Other Long term Investments		8,275,276	10,074,495
Deferred Financing Costs		1,074,380	1,123,530
<u>Capital Assets, Non-depreciable:</u>			
Land and Land Improvements	\$	4,933,519	\$ 4,798,707
Construction in Progress		476,298	4,070,380
Other Capital Assets		3,480,715	8,890,532
		8,890,532	3,480,715
			12,349,802
<u>Capital Assets, Depreciable:</u>			
Buildings & Building Improvements		178,656,164	164,487,287
Less Accumulated Depreciation		(63,367,533)	(56,863,194)
Infrastructure		10,463,927	10,463,927
Less Accumulated Depreciation		(4,145,348)	(3,736,313)
Facilities and Other Improvements		6,353,046	6,353,046
Less Accumulated Depreciation		(3,043,451)	(2,750,533)
Furniture and Equipment		11,746,579	14,106,212
Less Accumulated Depreciation		(7,726,736)	(8,429,863)
Vehicles		1,458,796	1,342,084
Less Accumulated Depreciation		(1,041,036)	(923,555)
Other Capital Assets		11,548,768	11,448,097
Less Accumulated Depreciation		(9,223,303)	(8,943,380)
Total Noncurrent Assets		<u>167,446,431</u>	<u>167,009,449</u>
<u>Intangible Capital Assets, Amortizable:</u>			
Computer Software		2,285,669	
Less Accumulated Depreciation		(1,003,866)	
Total Assets		<u>\$ 214,175,008</u>	<u>\$ 208,506,819</u>

Year
Ended
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LIABILITIES		
	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Accounts Payable	\$ 4,646,781	\$ 4,279,196
Accrued Liabilities	3,890,771	4,905,025
Employees' Compensable Leave	174,365	121,286
Room/Property Deposits	91,650	86,218
Deferred Revenues	21,913,510	20,338,608
Retainages and Contracts	102,388	867,807
Interfund Payable	122,716	
Funds Held for Others	89,722	88,295
Capital Lease	12,581	
Revenue Bonds Payable	3,280,000	2,605,000
Constitutional Appropriation Bonds	1,305,000	1,255,000
Total Current Liabilities	<u>35,629,484</u>	<u>34,546,435</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	1,254,594	1,246,091
Room/Property Deposits	274,949	258,655
Capital Lease	7,725	
Revenue Bonds Payable	83,660,136	80,240,136
Constitutional Appropriation Bonds	4,210,000	5,515,000
Total Noncurrent Liabilities	<u>89,407,404</u>	<u>87,259,882</u>
Total Liabilities	<u>125,036,888</u>	<u>121,806,317</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	57,549,239	57,472,471
Restricted for:		
Debt Retirement		
Nonexpendable	3,705,061	3,657,180
Expendable:		
Capital Projects	1,890,072	1,160,841
Restricted by Contributor	4,447,794	4,772,136
Unrestricted	<u>21,545,954</u>	<u>19,637,874</u>
Total Net Assets	<u>89,138,120</u>	<u>86,700,502</u>
Total Liabilities and Net Assets	<u>\$ 214,175,008</u>	<u>\$ 208,506,819</u>

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

Midwestern State University

Unaudited

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

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of \$8,646,025 and \$6,627,083, respectively)	\$ 27,232,058	\$ 26,643,222
Federal Grants	2,155,604	1,960,651
Federal Pass-Through Grants	489,810	312,774
State Grants Pass-Through from Other State Agencies	2,840,972	2,853,403
Other Grants and Contracts	142,774	111,415
Sales and Services of Educational Activities	1,295,668	1,024,507
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of \$31,853 and \$24,902, respectively)	7,702,512	6,026,988
Other Operating Revenue	1,436,170	1,352,382
Total Operating Revenues	<u>43,295,568</u>	<u>40,285,342</u>
Operating Expenses:		
Salaries and Wages	37,660,008	35,488,151
Payroll Related Costs	9,703,005	8,999,761
Professional Fees and Services	4,039,952	3,690,644
Travel	1,426,050	1,319,010
Materials and Supplies	5,618,453	5,763,037
Communications and Utilities	3,234,312	3,259,461
Repairs and Maintenance	2,331,919	1,640,664
Rentals and Leases	525,350	469,025
Printing and Reproduction	170,421	207,114
Federal Pass Through Expenditures	415,922	446,501
Depreciation	9,000,304	6,847,408
Bad Debt Expense	2,180	178,166
Interest	3,253	172
Scholarships	8,852,668	6,508,101
Total Operating Expenses	<u>82,983,797</u>	<u>74,817,215</u>
Operating Loss	(39,688,229)	(34,531,873)
Nonoperating Revenues (Expenses):		
State Appropriations	18,737,709	19,174,314
Additional State Appropriations	5,094,390	4,724,833
Legislative Appropriations Lapsed		(118,918)
Federal Pass-Through Grants	1,068,928	
Federal Grants	8,456,902	5,211,143
Gifts	3,491,801	4,866,258
Other Nonoperating revenues (expense)	(14,885)	14,948
Investment Income	778,884	1,343,754
Net Increase (Decrease) in Fair Value of Investments	65,892	(150,678)
Net Book Value of Capital Asset Disposals	(18,881)	(92,907)
Interest Expense on Capital Asset Financing	(3,447,048)	(1,369,365)
Total Nonoperating Revenues (Expenses)	<u>34,213,692</u>	<u>33,603,382</u>
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(5,474,537)	(928,491)

Year
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	<u>2010</u>	<u>2009</u>
Capital Contributions	\$ 345,000	\$ 1,888,800
HEAF Appropriation	3,810,377	3,810,377
Additions to Endowments	3,225,661	7,255,423
Transfer In	1,396,024	734,046
Transfers Out	<u>(864,907)</u>	<u>(715,715)</u>
Increase (Decrease) in Net Assets	2,437,618	12,044,440
Net Assets, Beginning of Year	86,700,502	74,656,062
Net Assets, End of Year	<u>\$ 89,138,120</u>	<u>\$ 86,700,502</u>

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

Midwestern State University

Unaudited

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2010

ANNUAL FINANCIAL

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$ 37,660,008	\$ 20,717,102	\$ 289,903	\$ 446,709	\$ 2,620,146
Payroll Related Costs	9,703,005	5,213,484	23,478	95,085	641,576
Professional Fees and Services	4,039,952	563,710	88,354	43,756	1,088,994
Travel	1,426,050	560,463	39,638	35,876	211,880
Materials and Supplies	5,618,453	782,129	92,947	148,030	771,432
Communications and Utilities	3,234,312	54,316		2,759	30,557
Repairs and Maintenance	2,331,919	155,275	880	47,483	182,345
Rentals and Leases	525,350	106,315	4,629	83,614	56,822
Printing and Reproduction	170,421	45,185	2,801	36,831	33,162
Federal Pass Through Expenditures	415,922				415,922
Depreciation	9,000,304				
Bad Debt Expense	2,180				
Interest	3,253	6		14	26
Scholarships	8,852,668				
Total Operating Expenses	\$ 82,983,797	\$ 28,197,985	\$ 542,630	\$ 940,157	\$ 6,052,862

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2009

REPORT

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$ 35,488,151	\$ 19,856,048	\$ 55,474	\$ 415,672	\$ 2,759,224
Payroll Related Costs	8,999,761	4,871,820	11,608	89,404	639,843
Professional Fees and Services	3,690,644	580,225	66,564	64,137	1,010,106
Travel	1,319,010	399,346	17,650	39,972	269,167
Materials and Supplies	5,763,037	726,510	17,074	149,008	1,173,422
Communications and Utilities	3,259,461	34,341	189	2,825	30,030
Repairs and Maintenance	1,640,664	113,225		41,765	119,495
Rentals and Leases	469,025	72,195	379	43,881	50,592
Printing and Reproduction	207,114	38,790	932	25,813	50,404
Federal Pass-Through Expenditures	446,501				446,501
Depreciation	6,847,408				
Bad Debt Expense	178,166				
Interest	172				22
Scholarships	6,508,101				
Total Operating Expenses	\$ 74,817,215	\$ 26,692,500	\$ 169,870	\$ 872,477	\$ 6,548,806

Year
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<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation & Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,253,425	\$ 4,595,349	\$ 2,576,078		\$ 1,161,296	
1,316,698	1,205,619	912,448		294,617	
1,544,098	(193,323)	414,563		489,800	
481,913	75,617	18,342		2,321	
1,032,873	632,093	653,717		1,505,232	
251,550	(36,372)	1,990,324		941,178	
172,207	889,099	548,310		336,320	
139,370	74,082	31,748		28,770	
185,305	(147,286)	1,106		13,317	
					\$ 9,000,304
2,180					
75		1,815		1,317	
			\$ 8,852,668		
<u>\$ 10,379,694</u>	<u>\$ 7,094,878</u>	<u>\$ 7,148,451</u>	<u>\$ 8,852,668</u>	<u>\$ 4,774,168</u>	<u>\$ 9,000,304</u>

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation & Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 4,362,281	\$ 4,356,563	\$ 2,491,901		\$ 1,190,988	
1,104,340	1,160,490	837,384		284,872	
1,339,468	(191,542)	285,401		536,285	
495,137	70,538	11,603		15,597	
1,067,005	560,274	497,424		1,572,320	
37,281	56,439	2,257,138		841,218	
90,372	719,182	326,870		229,755	
145,686	87,965	42,531		25,796	
188,513	(111,766)	974		13,454	
					\$ 6,847,408
46,026	66,462			65,678	
		150			
			\$ 6,508,101		
<u>\$ 8,876,109</u>	<u>\$ 6,774,605</u>	<u>\$ 6,751,376</u>	<u>\$ 6,508,101</u>	<u>\$ 4,775,963</u>	<u>\$ 6,847,408</u>

Midwestern State University

Unaudited

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

A N N U A L F I N A N C I A L R E P O R T	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Proceeds Received from Students	\$ 28,837,469	\$ 25,513,958
Proceeds Received for Sponsored Programs	4,971,858	3,896,330
Proceeds Received from Auxiliary Enterprises	8,190,146	6,653,718
Proceeds From Loan Programs	35,881	19,291
Proceeds From Other Revenues	2,731,839	2,376,889
Payments to Employees	(46,999,288)	(44,655,032)
Payments to Suppliers for Good and Services	(19,086,736)	(13,747,348)
Payments for Scholarships	(10,110,696)	(7,630,971)
Payments for Loans Provided	<u>(3,253)</u>	<u>(172)</u>
Net Cash Provided (Used) by Operating Activities	<u>(31,432,780)</u>	<u>(27,573,337)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	26,642,259	22,097,444
Proceeds from Endowment Gifts	3,187,697	7,216,396
Proceeds from Gifts	3,491,802	4,866,258
Proceeds from Other Noncapital Financing Activities	(14,885)	14,948
Proceeds from Nonoperating Grants	9,525,829	5,211,143
Transfers out to Other Funds	<u>(864,907)</u>	<u>(715,715)</u>
Net Cash Provided by Noncapital Financing Activities	<u>41,967,795</u>	<u>38,690,474</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Debt	6,939,373	
Proceeds from Capital Gifts	1,274,068	2,509,659
Proceeds from HEAF Appropriations	3,810,377	3,810,377
Proceeds From Interest on Capital Investments	149,029	317,850
Payments for Additions to Capital Assets	(10,491,546)	(36,466,948)
Principal Paid on Capital Related Debt	(3,860,000)	(3,735,000)
Interest Paid on Capital Related Debt	(3,386,933)	(1,035,441)
Payments of Costs of Debt Issuance	<u>(190,223)</u>	<u>(241,062)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(5,755,855)</u>	<u>(34,840,565)</u>
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	666,295	1,151,799
Proceeds from Sales and Maturities of Investments	28,208,508	49,677,400
Payments to Acquire Investments	<u>(34,797,692)</u>	<u>(24,968,156)</u>
Net Cash Provided (Used) by Investing Activities	<u>(5,922,889)</u>	<u>25,861,043</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,143,729)	2,137,615
Cash and Cash Equivalents, September 1, 2009	<u>6,202,181</u>	<u>4,064,566</u>
Cash and Cash Equivalents, August 31, 2010	<u>\$ 5,058,452</u>	<u>\$ 6,202,181</u>

Year
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	<u>2010</u>	<u>2009</u>
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets:		
Current Assets:		
Cash On Hand	\$ 16,000	\$ 16,000
Cash In Bank	1,642,988	3,652,556
Cash in State Treasury	4,708,531	3,513,061
Restricted:		
Cash In Bank	<u>(1,309,067)</u>	<u>(979,436)</u>
	<u>\$ 5,058,452</u>	<u>\$ 6,202,181</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (39,688,229)	\$ (34,531,873)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	9,000,304	6,847,408
Bad Debt Expense	2,180	178,166
(Increase) Decrease in Receivables	276,763	(2,921,350)
(Increase) Decrease in Inventories	34,068	14,447
(Increase) Decrease in Prepaid Expenses	(1,281,180)	(1,147,189)
(Increase) Decrease in Loans	508	19,291
Increase (Decrease) in Payables	(1,466,771)	2,471,887
Increase (Decrease) in Deferred Income	1,574,902	1,523,404
Increase (Decrease) in Other Liabilities	<u>114,674</u>	<u>(27,528)</u>
Total Adjustments	8,255,448	6,958,536
Net Cash Used by Operating Activities	<u>\$ (31,432,781)</u>	<u>\$ (27,573,337)</u>
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 65,892	\$ (150,679)
(Loss) Gain on Asset Disposals	(18,881)	(92,907)
Donated Investment Assets	59,900	1,104,800
Transfer In on Master Lease Purchase	1,396,024	734,046
Borrowing Under Capital Lease Purchase	20,306	

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



Midwestern State University

Notes To The Financial Statements – Unaudited

Note 1: Summary of Significant Accounting Policies

Introduction

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

Basis of Presentation

The financial statements of Midwestern State University have been prepared in accordance with the requirements established by the Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November, 1999. Due to the significant changes related to these Statements, the Comptroller of Public Accounts does not require the annual financial report to be in compliance with GAAP.

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

The university now 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.

Basis of Accounting – Proprietary Fund Accounting

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

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

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

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Midwestern State University

Notes To The Financial Statements - Unaudited

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

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

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

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

Net Assets

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of university obligations.

Restricted Net Assets represent 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 assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes. Restricted Net Assets includes the university's permanent endowments and donor restricted funds.

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

Cash and Cash Equivalents

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

Investments

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

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Midwestern State University

Notes To The Financial Statements - Unaudited

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.

Capital Assets

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

Other Significant Accounting Policies

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

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Midwestern State University

Notes To The Financial Statements - Unaudited

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2010, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/09	Adjustment	Reclassifications Completed CIP
<u>Non-depreciable or Non-Amortizable Assets:</u>			
Land and Land Improvements	\$ 4,798,707		
Construction in Progress	4,070,380		\$ (14,037,406)
Other Tangible Capital Assets	3,480,715		
Total Non-depreciable Assets or Non-Amortizable Assets:	<u>12,349,802</u>	<u>\$ 0</u>	<u>(14,037,406)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	164,487,287		13,997,395
Infrastructure	10,463,927		
Facilities and Other Improvements	6,353,046		
Furniture and Equipment	14,106,212	(2,285,669)	34,011
Vehicles	1,342,084		
Other Capital Assets	11,448,097		6,000
Total Depreciable Assets:	<u>208,200,653</u>	<u>(2,285,669)</u>	<u>14,037,406</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(56,863,194)		
Infrastructure	(3,736,313)		
Facilities and Other Improvements	(2,750,533)		
Furniture and Equipment	(8,429,863)	770,463	
Vehicles	(923,555)		
Other Capital Assets	(8,943,380)		
Total Accumulated Depreciation	<u>(81,646,838)</u>	<u>770,463</u>	<u>0</u>
Depreciable Assets, Net	<u>126,553,815</u>	<u>(1,515,206)</u>	<u>14,037,406</u>
<u>Amortizable Assets - Intangible</u>			
Computer Software		2,285,669	
Total Amortizable Assets - Intangible	0	2,285,669	0
Less Accumulated Amortization for:			
Computer Software		(770,463)	
Total Accumulated Amortization	0	(770,463)	0
Amortizable Assets - Intangible, Net	<u>0</u>	<u>1,515,206</u>	<u>0</u>
Business-Type Activities Capital Assets, Net	<u>\$138,903,617</u>	<u>\$ 0</u>	<u>\$ 0</u>

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Additions	Deletions	Balance 08/31/10
\$ 134,811		\$ 4,933,518
10,443,324		476,298
<u>10,578,135</u>	<u>\$ 0</u>	<u>3,480,715</u>
366,137	(194,654)	178,656,165
		10,463,927
		6,353,046
737,779	(845,754)	11,746,579
116,712		1,458,796
<u>169,013</u>	<u>(74,342)</u>	<u>11,548,768</u>
<u>1,389,641</u>	<u>(1,114,750)</u>	<u>220,227,281</u>
(6,689,260)	184,921	(63,367,533)
(409,035)		(4,145,348)
(292,918)		(3,043,451)
(903,941)	836,606	(7,726,735)
(117,481)		(1,041,036)
<u>(354,266)</u>	<u>74,342</u>	<u>(9,223,304)</u>
<u>(8,766,901)</u>	<u>1,095,869</u>	<u>(88,547,407)</u>
<u>(7,377,260)</u>	<u>(18,881)</u>	<u>131,679,874</u>
		<u>2,285,669</u>
0	0	2,285,669
<u>(233,403)</u>		<u>(1,003,866)</u>
<u>(233,403)</u>	<u>0</u>	<u>(1,003,866)</u>
<u>(233,403)</u>	<u>0</u>	<u>1,281,803</u>
<u>\$ 2,967,472</u>	<u>\$ (18,881)</u>	<u>\$141,852,208</u>

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Deposits and Investments

Authorized Investments

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

1. Obligations of the United States or its agencies,
2. Direct obligations of the State of Texas or its agencies,
3. Obligations of political subdivisions rated not less than A by a national investment rating firm,
4. Certificates of deposit, and
5. Other instruments and obligations authorized by statute.

Deposits of Cash in Bank

At August 31, the carrying amount of the university's deposits was as follows:

	<u>2010</u>	<u>2009</u>
Business-type Activities:		
Proprietary Funds Current Assets Cash in Bank	\$ 1,642,988	\$ 3,652,556
Proprietary Funds Current Assets Restricted Cash in Bank	(1,309,067)	(979,436)
Total Cash in Bank	\$ 333,921	\$ 2,673,120

University policy and State Statute require the university's funds 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.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the university's deposits may not be recovered or the university may not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial risk if they are not covered by the depository insurance and are:

1. Uncollateralized,
2. Collateralized with securities held by the pledging financial institution,
3. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the agency's name.

The university's bank balance at August 31, 2010 was \$1,192,843. \$500,000 of this amount was covered by FDIC insurance, and \$692,843 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Federal Reserve Bank of New York acting as Custodian for the university and the bank. (As defined in 3 above.)

Midwestern State University

Notes To The Financial Statements - Unaudited

Investments

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

	<u>2010</u>	<u>2009</u>
U.S. Government		
U.S. Agency Obligations	\$12,636,445	\$15,580,416
Corporate Bonds	1,237,732	674,735
Equities	2,989,621	2,356,617
Other Commingled Funds - Texpool	18,689,519	19,471,575
Other Commingled Funds - LOGIC	478,117	476,925
Other Commingled Funds - Goldman Sachs	59,914	570,843
Other Commingled Funds - Citibank	8,061,767	3,003,253
Certificate of Deposit - First National Bank	4,020,064	1,001,156
Money Market - JP Morgan	1,301,201	
Alternative Investments	288,288	
Total	<u>\$49,762,668</u>	<u>\$43,135,520</u>

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, 2010, the university's credit quality distribution for securities with credit risk exposure was as follows:

U.S. Government Agency Obligations (FNMA, FHLB, FFCB, FHLMC)	\$12,636,445	Rated AAA
Corporate Bonds	\$ 248,970	Rated A
Corporate Bonds	\$ 202,000	Rated A2
Corporate Bonds	\$ 209,148	Rated A3
Corporate Bonds	\$ 401,510	Rated Baa1
Corporate Bonds	\$ 176,103	Rated Baa2
Commingled Funds - Texpool	\$18,689,519	Rated AAA
Commingled Funds - LOGIC	\$ 478,117	Rated AAA
Commingled Funds - Goldman Sachs	\$ 59,914	Not Rated
Commingled Funds - Citibank	\$ 8,061,767	Not Rated (Collateralized)
Equities	\$ 2,989,621	Not Rated
Certificate of Deposit	\$ 4,020,064	Not Rated (Collateralized)
Money Market - JP Morgan	\$ 1,301,201	Not Rated (Collateralized)

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2010, the university's concentration of credit risk is as follows:

<u>Issuer</u>	<u>Carrying Value</u>	<u>% of Total Portfolio</u>
Texpool—Commingled Funds	\$18,689,519	38%
Federal Home Loan Bank	\$ 5,638,830	11%
Federal Home Loan Mortgage Corp.	\$ 3,566,365	7%
Federal National Mortgage Assn.	\$ 3,145,784	6%

Note 4: Short Term Debt

Not Applicable

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2010, the following changes occurred in liabilities:

	Balance 09-01-09	Restatement	Additions	Reductions	Balance 08-31-10	Amounts Due Within One Year
Business-Type Activities						
Compensable Leave	\$ 1,367,377		\$ 252,146	\$ 190,564	\$ 1,428,959	\$ 174,365
General Obligation Bond Payable	6,770,000			1,255,000	5,515,000	1,305,000
Revenue Bonds Payable	82,845,136		6,700,000	2,605,000	86,940,136	3,280,000
Capital Lease Obligations			36,781	16,475	20,306	12,581
Total	<u>\$ 90,982,513</u>	<u>\$0</u>	<u>\$ 6,988,927</u>	<u>\$ 4,067,039</u>	<u>\$ 93,904,401</u>	<u>\$ 4,771,946</u>

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 \$1,428,959. The University made lump sum payments totaling \$190,564 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2010, and payments of \$107,509 for August 31, 2009.

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.

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A-Miscellaneous Bond Information, Schedule 2B-Changes in Bonded Indebtedness, Schedule 2C-Debt Service Requirements, Schedule 2D-Analysis of Funds Available for Debt Service and Schedule 2E-Defeased Bonds Outstanding.

General information related to Revenue Financing System bonds is summarized on the following pages:

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

Revenue Financing System Revenue Bonds, Series 2002

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for campus improvements in heating, ventilating and air conditioning systems; chilled water distribution; street drainage and paving; and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting
- Issued June 15, 2002
- \$8,965,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of revenue for debt service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, and student service fees and private gifts

Revenue and Refunding Bonds, Series 2003

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

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, grants and contracts, Higher Education Assistance Funds, student service fees and private gifts.

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

Revenue Financing System Revenue Bonds, Series 2008

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

Revenue Financing System Revenue Bonds, Series 2010

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

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

Constitutional Appropriation Bond, Series 2004

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 7: Capital 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 08/31/10.

	Year Ended August 31, 2010		
Business-Type Activities	Assets under Capital Lease	Accumulated Depreciation	Total
Equipment	\$36,781	(\$5,254)	\$31,527

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:

Year	Principal	Interest	Total Future Minimum Lease Payments
2011	\$12,581	\$952	\$13,533
2012	7,725	170	7,895
2013	0	0	0
Totals	\$20,306	\$1,122	\$21,428

Note 8: Operating Lease Obligations

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

	Amount
08/31/2010	\$32,678

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

Year Ended Aug 31,	
2011	\$32,678
2012	5,446
2013	0
Total Minimum Future Lease Rental Payments	\$38,124

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 9: Employees Retirement Plans for University Systems and Independent Universities

The state has established an optional retirement program 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 contributions made by the plan members and employers for the fiscal year ended August 31, 2010 compared to the previous year are shown below:

	Year Ended August 31, 2010	Year Ended August 31, 2009
Member Contributions	\$1,160,529	\$1,109,915
Employer Contributions	\$1,290,204	\$1,258,005
Total Remittance	\$2,450,733	\$2,367,920

Note 10: Deferred Compensation

The university's Board of Regents approved a non-qualified deferred compensation plan for the university President which provides for \$2,500 per month to be set-aside for the President for thirty-six months, ending August 31, 2011, at which time the President shall be entitled to receive distribution of the current balance of the Deferred Compensation Account. The balance of the account at August 31, 2009, including interest was \$30,234, and the current balance at August 31, 2010, including interest is \$60,780.

Note 11: Postemployment Health Care and Life Insurance Benefits

Not Applicable.

Note 12: Interagency Balances / Activities

University transactions with other state agencies are as follows:

Name of State Agency, Agency Number	Due From Other Agencies	Due To Other Agencies	Purpose
Due to Due From:			
Texas Department of Transportation, 601			
D23 Fund 5015	\$ 349		Texas Collegiate License Plate Fund
Total Due From/To	\$ 349		
	<u>Transfer In</u>	<u>Transfer Out</u>	
Operating Transfers:			
Texas Higher Education Coordinating Board, 781			
D23 Fund 0264		\$ 300,501	Texas B-On-Time Loan Program
D23 Fund 5103		967	Dental Hygienist Degree or Certification Program
Texas Public Finance Authority, 347			
D23 Fund 7999		512,628	Master Lease Purchase Payment
D23 Fund 7999		50,811	Master Lease Purchase Payment
D23 Fund 7999	\$1,396,024		Master Lease Purchase Payment
Total Transfers	\$1,396,024	\$ 864,907	

Interfund Activity	Interfund Receivable	Interfund Payable
Midwestern State University, 735, General Revenue (0001)		
Appd Fund 0001, D23 Fund 0001		\$ 122,717
Midwestern State University, 735, GR-Dedicated (0264)		
Appd Fund 0264, D23 Fund 0264	\$ 122,717	
Total Transfers	\$ 122,717	\$ 122,717

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances and Net Assets

Not Applicable.

Note 15: Contingent Liabilities

There is no pending or threatened litigation.

Note 16: Subsequent Events

Midwestern State University submitted a capital expenditure for consideration in the Legislative Appropriations Request for the FY 2012 -2103 Biennium to fund a new library, accompanied by changes in the use of the current library facility. The total project for tuition revenue bond funding consideration will be \$59 million, which will include a new library at \$40 million, and \$19 million in changes in the current use of the library facility to accommodate the West College of Education, and Information Technology Center that will be displaced with the site of the new library, as well as creating an Enrollment Services Center within the old library facility, that will allow our students to be served at one location. These services will include the Registrar's Office, Financial Aid Office, Admissions Office, and many other enrollment services.

An expansion of the Dillard College of Business Administration has been discussed with a donor, to expand the facility which could cost about \$15 to \$20 million, and it would all be funded from private sources as well.

In addition, Phase II renovations to the D.L. Ligon Coliseum will continue into FY 2011. Phase II had been approved by the Board of Regents last year at \$6.7 million, and complementing that project is a separate project to build softball locker rooms at a cost not to exceed \$470,000, which will be funded entirely from private restricted funds.

Finally, the university is pursuing an energy conservation project at an estimated cost of \$2.8 million with the Texas State Energy Conservation Commission to be funded through utility energy conservation savings, with a payback period of about 8 years, subject to final approval by the MSU Board of Regents.

Note 17: Risk Management

The university can be exposed to a variety of civil claims resulting from the performance of its duties. It is the university's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. Currently there is no purchase of commercial general liability insurance for the university. The University participates in the statewide property insurance program and purchases educators legal liability insurance.

The university's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. At August 31, 2010, there were no known claim liabilities.

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Midwestern State University

Notes To The Financial Statements - Unaudited

Note 17: Continued

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for university employees. The university was assessed \$120,915 and \$118,730 for worker's compensation coverage for fiscal years ending August 31, 2009 and 2010, respectively. Unemployment compensation is funded on a pay as you go method, with the State contributing ½ of the cost of benefits and the university contributing the other half for employees paid by State appropriated funds. The university must pay 100% of the cost of benefits for employees paid from local funds.

The Texas Motor Vehicle Safety Responsibility Act requires that every non-governmental vehicle operated on a state highway be insured for minimum limits of liability in the amount of \$20,000/\$40,000 bodily injury and \$15,000 property damage. However, the university has chosen to carry liability insurance on its licensed vehicles in the amount of \$250,000/\$500,000/\$100,000 with a combined single limit of \$1,000,000 if the Texas Tort Claims Act is not applicable.

Note 18: Management Discussion and Analysis

See Introduction.

Note 19: The Financial Reporting Entity

The Midwestern State University Foundation and MSU Charitable Trust are nonprofit organizations with the sole purpose of supporting the educational and other activities of the University. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$798,254 to the University during the year ended August 31, 2010, and \$1,137,803 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$406,405 to the University during the year ended August 31, 2010 and \$828,950 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2010 are reported by their trustees in the amount of \$13,269,000 and \$20,412,668, respectively.

The balances, or transactions, of funds held in trust by other on behalf of the University are not reflected in the financial statements. At August 31, 2010, there were three other such funds held for the benefit of the University. Based upon the most recent available information, the assets of these funds are reported by the Trustees at values totaling \$406,403.

Note 20: Stewardship, Compliance, and Accountability

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

Note 21: Not Applicable to the AFR Reporting Requirements Process

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Midwestern State University

Notes To The Financial Statements - Unaudited

Note 22: Donor Restricted Endowments

<u>Donor-Restricted Endowment</u>	<u>Amounts of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	None	Restricted for Nonexpendable
Term Endowments	None	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

Not Applicable.

Note 25: Termination Benefits

Not Applicable.

Note 26: Segment Information

Not Applicable.

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Midwestern State University

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2010, with Comparative Totals for the Year Ended August 31, 2009

	CFDA Number	ID #	Univ/ Agy #	Pass-Through From		
				Agency Amount	University Amount	Non State Entities Amount
<u>U.S. Department of the Interior</u>						
Pass-Through From:						
Stephen F. Austin State University						
National Land Remote Sensing-Education Outreach & Research	15.815		755		\$ 2,218	
<u>National Endowment for the Humanities</u>						
Pass-Through From:						
Humanities Texas						
Promotion of the Humanities-Federal/State Partnership	45.129	45				\$1,500
Direct Program:						
Promotion of the Arts-Grants to Organizations and Individuals	45.024					
Totals - National Endowment for the Humanities						1,500
<u>Small Business Administration</u>						
Pass-Through From:						
TTU-Small Business Development Center	59.037		733		121,781	
<u>U.S. Department of Education</u>						
Direct Program:						
Bilingual Education Professional Development	84.195					
Transition to Teaching	84.350					
Pass-Through From:						
THECB-Improving Teacher Quality State Grants	84.367		781	\$155,643		
THECB-College Access Challenge Grant Program	84.378		781	145,371		
Totals - U.S. Department of Education				301,014		
<u>U.S. Department of Health & Human Services</u>						
Direct Program:						
Advanced Education Nursing Traineeships	93.358					
Research & Development Cluster						
<u>National Science Foundation</u>						
Direct Program:						
Biological Sciences	47.074					
Special Education (IDEA) Cluster						
<u>U.S. Department of Education</u>						
Pass-Through From:						
TAMU Texarkana-Special Ed Grants to State	84.027		764		39,368	

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<u>Direct Program</u>	<u>Total Pass-Through From & Direct Program</u>	<u>Pass-Through To</u>		<u>Expenditures</u>	<u>2010</u>	<u>2009</u>
		<u>Agency or Univ Amount</u>	<u>Non-State Entities Amount</u>		<u>Total PT To and Expenditures Amount</u>	<u>Total PT To and Expenditures Amount</u>
	\$ 2,218			\$ 2,218	\$ 2,218	
	1,500			1,500	1,500	
\$ 3,858	3,858			3,858	3,858	\$ 6,047
3,858	5,358			5,358	5,358	6,047
	121,781			121,781	121,781	127,935
292,323	292,323			292,323	292,323	208,979 7,404
	155,643			155,643	155,643	105,830
	145,371			145,371	145,371	42,334
292,323	593,337			593,337	593,337	364,547
32,700	32,700			32,700	32,700	
10,145	10,145			10,145	10,145	12,239
	39,368			39,368	39,368	36,675

Midwestern State University

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended August 31, 2010, with Comparative Totals for the Year Ended August 31, 2009

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	CFDA Number	ID #	Univ/ Agy #	Pass-Through From		
				Agency Amount	University Amount	Non State Entities Amount
Student Financial Assistance Cluster						
<u>U.S. Department of Education</u>						
Direct Programs:						
Federal Supplemental Education Opportunity Grants	84.007					
Federal Family Education Loans	84.032					
Federal Work-Study Program	84.033					
Federal Perkins Loan Program - Federal Capital Contributions	84.038					
Federal Pell Grant Program	84.063					
Federal Direct Student Loans	84.268					
Academic Competitiveness Grants	84.375					
National Science and Mathematics Access to Retain Talent (SMART)	84.376					
Teacher Education Assistance for College & HE Grants (TEACH)	84.379					
Total Student Financial Assistance Cluster Programs						
State Fiscal Stabilization Fund Cluster						
<u>U.S. Department of Education</u>						
Pass-Through From:						
THECB-ARRA Government Services, Recovery Act	84.397			\$1,088,235		
Teacher Quality Partnership Grants Cluster						
<u>U.S. Department of Education</u>						
Teacher Quality Enhancement Grants	84.336					
TRIO Cluster						
<u>U.S. Department of Education</u>						
Direct Programs						
TRIO-Upward Bound	84.047					
WIA Cluster						
<u>U.S. Department of Education</u>						
Pass-Through From:						
TWC-WIA Dislocated Workers	17.260			\$ 6,122		
Total Federal Financial Assistance				\$1,395,371	\$163,367	\$1,500

Note 3a: Student Loans Processed and Administrative Cost Recovered

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balances of Previous Years' Loans
U.S. Department of Education				
84.032 Federal Family Education Program	\$24,951,829			
84.038 Federal Perkins Loan Program	20,000			\$ 107,976
84.268 Federal Direct Student Loans Program	\$ 2,302,760			
Total Department of Education	\$27,274,589			\$ 107,976

Note 7: Federal Deferred Revenue

CFDA Number/Program Name	Federal Deferred Revenue 09/01/09	Increase / (Decrease)	Federal Deferred Revenue 08/31/10
84.033 Federal Work Study Program	\$ 8,386	\$ (6,093)	\$ 2,293
84.367 Improving Teacher Quality State Grants	175	69,326	69,501
Total Deferred Revenue	\$ 8,561	\$ 63,233	\$ 71,794

Year Ended 8-31-2010 (UNAUDITED)

<u>Direct Program</u>	<u>Total Pass-Through From & Direct Program</u>	<u>Pass-Through To</u>		<u>Expenditures</u>	<u>2010</u>	<u>2009</u>
		<u>Agency or Univ Amount</u>	<u>Non-State Entities Amount</u>		<u>Total PT To and Expenditures Amount</u>	<u>Total PT To and Expenditures Amount</u>
\$ 179,644	\$ 179,644			\$ 179,644	\$ 179,644	\$ 141,574
24,951,829	24,951,829			24,951,829	24,951,829	23,648,605
103,466	103,466			103,466	103,466	146,656
20,000	20,000			20,000	20,000	1,532
8,456,902	8,456,902			8,456,902	8,456,902	5,211,143
2,302,760	2,302,760			2,302,760	2,302,760	
226,225	226,225			226,225	226,225	114,850
83,901	83,901			83,901	83,901	47,423
54,955	54,955			54,955	54,955	
<u>36,379,682</u>	<u>36,379,682</u>			<u>36,379,682</u>	<u>36,379,682</u>	<u>29,311,783</u>
	<u>1,088,235</u>			<u>1,088,235</u>	<u>1,088,235</u>	
<u>867,265</u>	<u>867,265</u>	<u>\$ 415,922</u>		<u>451,343</u>	<u>867,265</u>	<u>991,333</u>
<u>299,621</u>	<u>299,621</u>			<u>299,621</u>	<u>299,621</u>	<u>284,146</u>
	<u>6,122</u>			<u>6,122</u>	<u>6,122</u>	
<u>\$37,885,594</u>	<u>\$39,445,832</u>	<u>\$ 415,922</u>		<u>\$39,029,910</u>	<u>\$39,445,832</u>	<u>\$31,134,705</u>

Note 2: Reconciliation

	<u>08/31/2010</u>
Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	\$ 2,155,603
Federal Grant Revenue - Non-Operating	8,456,902
Federal Pass-through Revenue-Operating	489,810
Federal Pass-through Revenue-Non-Operating	<u>1,068,928</u>
Total Federal Revenues	12,171,243
Reconciling Items: New Loans Processed	
Federal Family Education Loans Processed	24,951,829
Federal Perkins Loans Processed	20,000
Federal Direct Student Loans Processed	<u>2,302,760</u>
	<u>\$39,445,832</u>

Midwestern State University

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

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<u>Operating Revenue:</u>	<u>2010</u>	<u>2009</u>
Pass Through From:		
UT System (Agy #720)	\$ 5,756	
Texas Higher Education Coordinating Board (Agy #781)		
5th Year Accounting	5,000	\$ 5,000
College Readiness Outreach	103,196	50,000
College Read-TEA Texas Governor's School		117,860
College Work Study Program	33,235	19,987
CRU-Prof Svs & Grants		(160,759)
Engineering Recruitment Program	18,000	5,000
Financial Aid - Professional Nursing	22,564	23,950
General Academic Enrollment Growth	16,601	
Higher Education Perf Incentive Funding		951,785
Professional Nursing Shortage Reduction Program	217,514	274,357
Texas Grants Program	2,307,106	1,566,223
Top 10% Scholarships	<u>112,000</u>	
Total Operating Pass Through Revenue (Exhibit II)	<u>\$2,840,972</u>	<u>\$2,853,403</u>

Pass Through To:

None

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**Midwestern State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2010**

ANNUAL FINANCIAL REPORT

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
<u>General Obligation Bonds:</u>					
Constitutional Appropriation Bonds: Series 2004	\$ 11,185,000	2.75% - 3.75%	2005	2013	None
<u>Revenue Bonds:</u>					
Revenue Financing System Revenue Bonds: Series 2002	8,965,000	4.00% - 5.00%	2003	2021	12-01-12
Building Revenue & Refunding Bonds: Series 2003	13,180,000	2.00% - 5.00%	2003	2024	12-01-13
Revenue and Refunding Bonds: Series 2007	28,855,000	4.00% - 4.625%	2008	2032	12-01-16
Revenue Financing System Revenue Bonds: Series 2008	38,300,136	3.00% - 5.25%	2008	2034	12-01-18
Revenue Financing System Revenue Bonds: Series 2010	6,700,000	4.00% - 5.00%	2012	2036	12-01-20
Total	\$107,185,136				

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Midwestern State University
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2010

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Business Type Activities	Bonds		Bonds	Bonds	Amounts	
Description of Issue	Outstanding	Bonds	Matured	Refunded	Bonds	Due
	09-01-2009	Issued	or Retired	or Extinguished	08-31-2010	Within One Year
<u>General Obligation Bonds:</u>						
Constitutional Appropriation Bonds: Series 2004	\$ 6,770,000		\$1,255,000		\$ 5,515,000	\$1,305,000
<u>Revenue Bonds:</u>						
Revenue Financing System Revenue Bonds: Series 2002	6,725,000		385,000		6,340,000	405,000
Building Revenue and Refunding Bonds: Series 2003	10,040,000		680,000		9,360,000	705,000
Revenue and Refunding Bonds: Series 2007	28,175,000		1,145,000		27,030,000	1,185,000
Revenue Financing System Revenue Bonds: Series 2008	37,905,136		395,000		37,510,136	985,000
Revenue Financing System Revenue Bonds: Series 2010		\$6,700,000			6,700,000	0
Total	<u>\$89,615,136</u>	<u>\$6,700,000</u>	<u>\$3,860,000</u>	<u>\$0</u>	<u>\$92,455,136</u>	<u>\$4,585,000</u>

Year Ended
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**Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2010**

Business Type Activities

Description of Issue	2011	2012	2013	2014	2015
<u>General Obligation Bonds:</u>					
Constitutional Appropriation Bonds:					
Series 2004					
Principal	\$1,305,000	\$1,350,000	\$1,405,000	\$1,455,000	
Interest	172,194	127,362	79,150	27,281	
<u>Revenue Bonds:</u>					
Revenue Financing System Revenue Bonds:					
Series 2002					
Principal	405,000	425,000	445,000	465,000	485,000
Interest	283,814	266,176	247,133	227,239	206,809
Revenue Financing System Revenue and Refunding Bonds:					
Series 2003					
Principal	705,000	730,000	760,000	790,000	830,000
Interest	415,516	387,698	357,898	326,898	289,310
Revenue Financing System Revenue and Refunding Bonds:					
Series 2007					
Principal	1,185,000	1,240,000	1,290,000	1,350,000	1,400,000
Interest	1,131,833	1,083,332	1,032,733	979,932	924,933
Revenue Financing System Revenue Bonds:					
Series 2008					
Principal	985,000	1,020,000	1,055,000	1,095,000	1,140,000
Interest	1,674,520	1,641,895	1,605,582	1,566,589	1,523,258
Revenue Financing System Revenue Bonds:					
Series 2010					
Principal	0	150,000	155,000	160,000	170,000
Interest	333,751	303,506	297,406	291,106	284,506
Total	8,596,628	8,724,969	8,729,902	8,734,045	7,253,816
Less Interest	(4,011,628)	(3,809,969)	(3,619,902)	(3,419,045)	(3,228,816)
Total Principal	<u>\$4,585,000</u>	<u>\$4,915,000</u>	<u>\$5,110,000</u>	<u>\$5,315,000</u>	<u>\$4,025,000</u>

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<u>2016-20</u>	<u>2021-25</u>	<u>2026-30</u>	<u>2031-35</u>	<u>2036-40</u>	<u>Total Requirements</u>
					\$ 5,515,000
					405,987
2,790,000	1,325,000				6,340,000
674,658	67,125				1,972,954
2,535,000	3,010,000				9,360,000
1,043,661	390,977				3,211,958
7,200,000	5,760,000	5,590,000	2,015,000		27,030,000
3,713,356	2,393,957	1,020,691	123,140		12,403,907
5,375,136	7,610,000	9,430,000	9,800,000		37,510,136
7,922,950	5,687,336	3,720,469	1,181,776		26,524,375
980,000	1,225,000	1,515,000	1,905,000	440,000	6,700,000
1,287,531	1,020,631	701,988	328,510	10,175	4,859,110
33,522,292	28,490,026	21,978,148	15,353,426	450,175	141,833,427
(14,642,156)	(9,560,026)	(5,443,148)	(1,633,426)	(10,175)	(49,378,291)
<u>\$18,880,136</u>	<u>\$18,930,000</u>	<u>\$16,535,000</u>	<u>\$13,720,000</u>	<u>\$ 440,000</u>	<u>\$92,455,136</u>

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Midwestern State University
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2010

ANNUAL FINANCIAL REPORT

Business Type Activities	<u>Application of Funds</u>			
Description of Issue	<u>Principal</u>	<u>Interest</u>		
<u>General Obligation Bonds</u>				
Constitutional Appropriation				
Bond - Series 2004	<u>\$ 1,255,000</u>	<u>\$ 213,794</u>		
			<u>Pledged and Other Sources and Related Expenditures for FY 2010</u>	
			<u>Net Available for Debt Service</u>	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures And Capital Outlay	<u>Debt Service</u>	
<u>Revenue Financing System Revenue Bonds</u>			<u>Principal</u>	<u>Interest</u>
Revenue Financing System				
Revenue Bonds: Series 2002			\$ 385,000	\$ 300,361
Building Revenue & Refunding				
Bonds: Series 2003			680,000	440,635
Revenue and Refunding Bonds:				
Series 2007		\$ 4,949,358	1,145,000	1,178,432
Revenue Financing System				
Revenue Bonds: Series 2008		1,425,350	395,000	1,695,220
Revenue Financing System				
Revenue Bonds: Series 2010		<u>526,793</u>		
Total for all Revenue Financing				
System Revenue Bonds	<u>\$54,519,258</u>	<u>\$ 6,901,501</u>	<u>\$ 2,605,000</u>	<u>\$ 3,614,648</u>

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Midwestern State University
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2010

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Business Type Activities

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
None for the Year Ended August 31, 2010		
Total	<u>\$0</u>	<u>\$0</u>

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Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2010

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Business Type Activities

Description of Issue	Category	Amount Extinguished or Refunded	Refunded Issued Par Value	Cash Flow Increase (Decrease)	*Economic Gain/(Loss)
<u>Revenue Bonds:</u>					
None for the Year Ended August 31, 2010					
Total		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

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Cash in State Treasury	Unrestricted	Restricted	Current Year 2010	Prior Year 2009
General Revenue - Dedicated Fund 0264	\$ 4,708,531		\$ 4,708,531	\$ 3,513,061
Special Mineral Fund - Fund 0412	<u>0</u>		<u>0</u>	<u>0</u>
Total Cash in State Treasury (Stmnt of Net Assets)	<u>\$ 4,708,531</u>		<u>\$ 4,708,531</u>	<u>\$ 3,513,061</u>

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