



**Midwestern State University
Financial Report
(Unaudited)
For The Year Ended
August 31, 2011**

Midwestern State University

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Midwestern State University

ORGANIZATIONAL DATA

August 31, 2011

THE BOARD OF REGENTS

Term Expires May 31, 2012

Ms. Linda Aguilera, Student Regent Wichita Falls

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
Mr. Mac Cannedy, Jr., 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, 2011 and 2010.

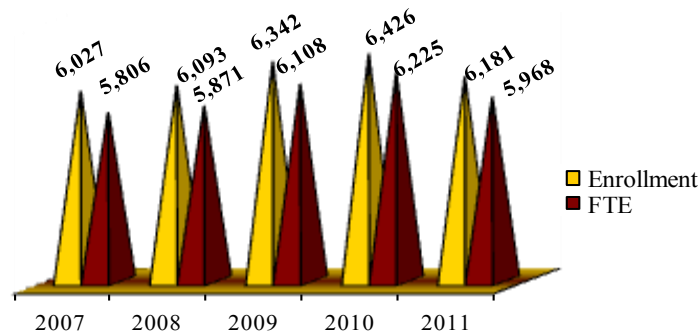
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

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

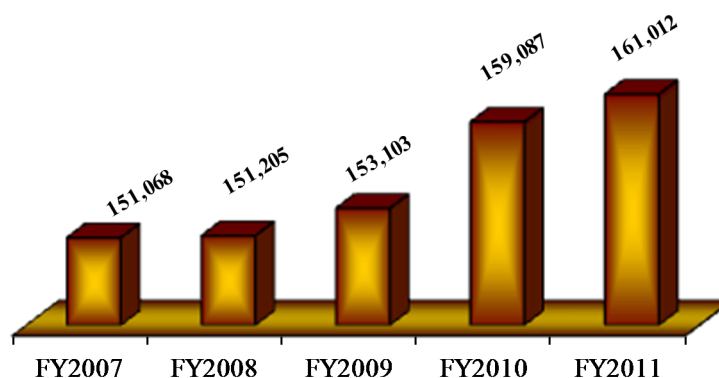
The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2007. Increased academic standards and a statewide consistent pattern of very flat student enrollment explain the variance.

Beginning in 2006, and again in 2011, the university changed its academic standards to ensure students were prepared to pursue higher education. The increase in standards has created growth in student retention as more of our freshmen are better prepared for college which also improves graduation rates. Graduation rates may become financially important to the university as future state appropriations are contingent on such successful outcomes. In addition, the university is one of the few institutions in Texas capable of offering in-state tuition rates plus a \$30/semester credit hour assessment to all US citizens, which is a great positive impact on future enrollment. Enrolled semester credit hours continue to improve since the lows of 2007, despite the drop in headcount enrollment.

Fall Headcount vs FTE

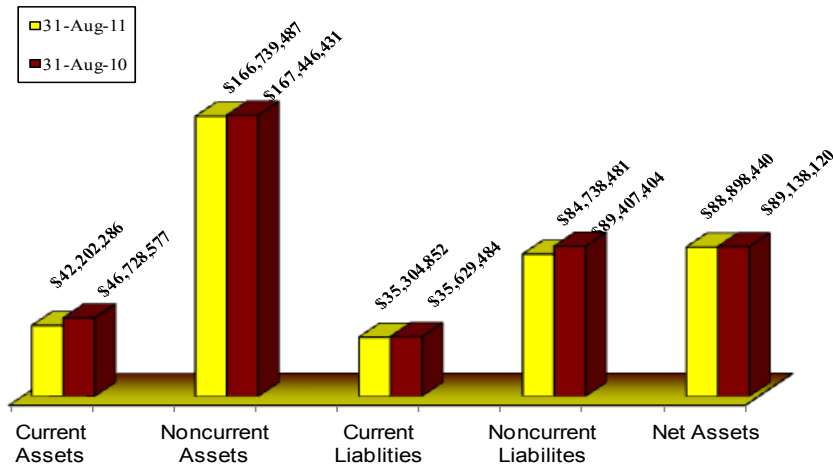


Total Enrolled Semester Credit Hours



Midwestern State University

Management's Discussion & Analysis - Unaudited



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 decreased a total of \$239,680 from \$89,138,120 in 2010 to \$88,898,440 in 2011.

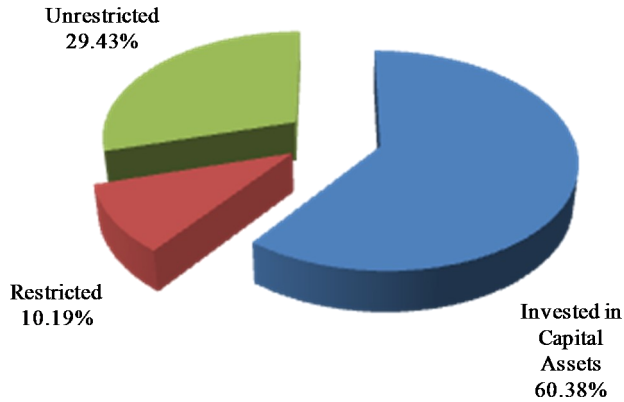
	<u>2011</u>	<u>2010</u>
Current Assets	\$ 42,202,286	\$ 46,728,577
Noncurrent Assets:		
Capital Assets	136,678,381	141,852,208
Other	30,061,106	25,594,223
Total Assets	<u>\$208,941,773</u>	<u>\$214,175,008</u>
Current Liabilities	\$ 35,304,852	\$ 35,629,484
Noncurrent Liabilities	84,738,481	89,407,404
Total Liabilities	<u>120,043,333</u>	<u>125,036,888</u>
Net Assets:		
Invested in Capital Assets	53,679,004	57,549,239
Restricted for:		
Debt Retirement		
Nonexpendable	3,900,222	3,705,061
Expendable:		
Capital Projects	1,211,967	1,890,072
Restricted by Contributor	3,949,667	4,447,794
Unrestricted	26,157,580	21,545,954
Total Net Assets	<u>88,898,440</u>	<u>89,138,120</u>
Total Liabilities and Net Assets	<u>\$208,941,773</u>	<u>\$214,175,008</u>

Midwestern State University

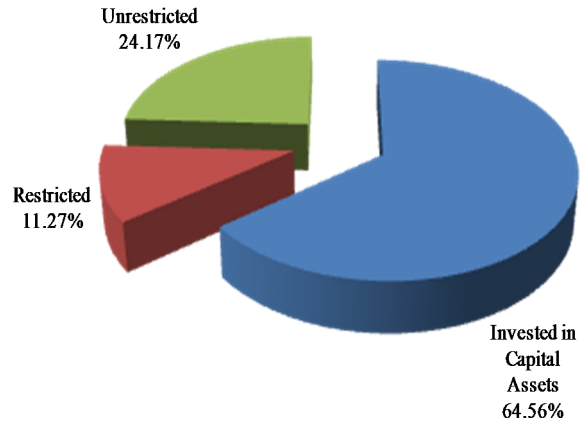
Management's Discussion & Analysis - Unaudited

The following charts indicate the changes in net assets for the year ended August 31, 2011 as compared to the previous year.

Net Assets - August 31, 2011

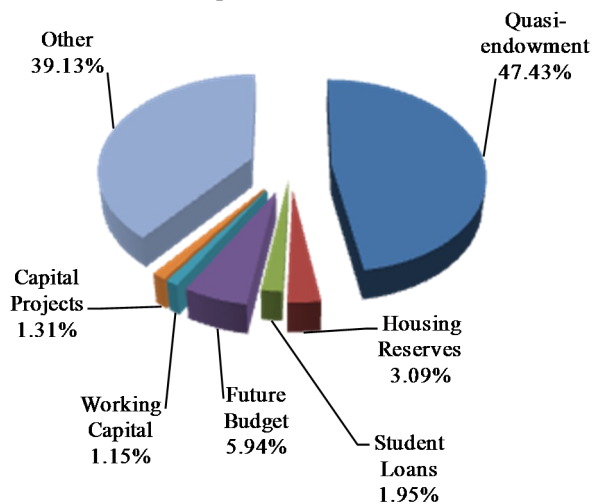


Net Assets - August 31, 2010

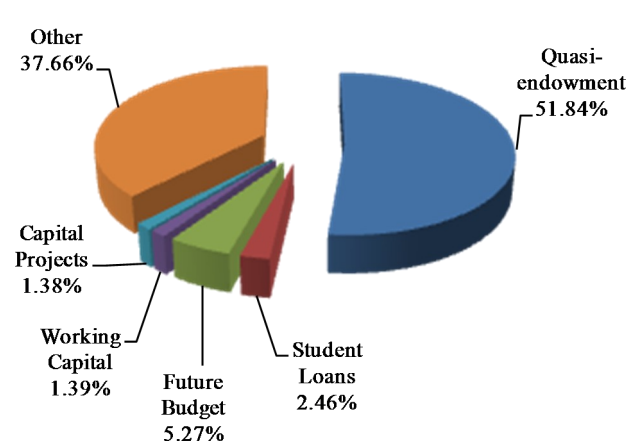


The university reports unrestricted net assets of 29.43% of total net assets for the year ended August 31, 2011 and 24.17% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The category of other unrestricted net assets includes encumbrances, inventories, and unallocated unrestricted net assets. The following charts show how funds have been allocated:

**Allocation of Unrestricted Net Assets
August 31, 2011**



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



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, 2011 and 2010. 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, 2011 and 2010.

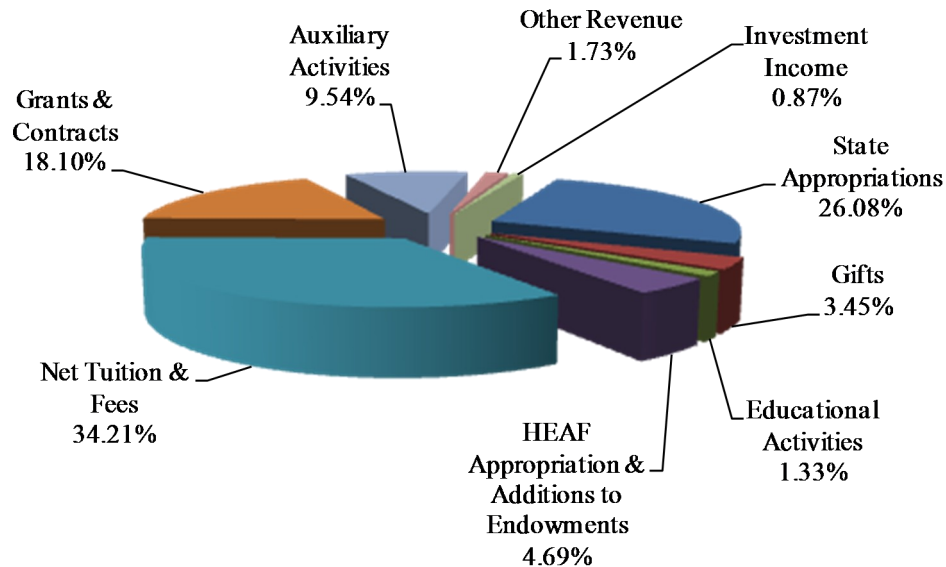
	<u>2011</u>	<u>2010</u>
Operating Revenue:		
Net tuition and fees	\$ 30,074,871	\$ 27,232,058
Grants and contracts	5,659,189	5,629,160
Sales and Service of Educational Activities	1,165,346	1,295,668
Sales and Services of Auxiliary Enterprises	8,383,510	7,702,512
Other	1,517,980	1,436,170
Total Operating Revenue	<u>46,800,896</u>	<u>43,295,568</u>
Total Operating Expenses	<u>(83,918,910)</u>	<u>(82,983,797)</u>
Operating Loss	(37,118,014)	(39,688,229)
Nonoperating Revenues (Expenses):		
State Appropriations	18,252,263	18,737,709
Additional State Appropriations	4,676,181	5,094,390
Legislative Appropriations Lapsed		
Federal Grants	10,258,814	9,525,830
Gifts	3,030,962	3,491,801
Other Nonoperating Revenues (Expenses)	6,106	(14,885)
Investment Income	766,675	778,884
Net Increase (Decrease) in Fair Value of Investments	218,119	65,892
Net Book Value of Capital Asset Disposals	(105,042)	(18,881)
Interest Expense on Capital Asset Financing	(3,813,140)	(3,447,048)
Total Nonoperating Revenue (Expense)	<u>33,290,938</u>	<u>34,213,692</u>
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(3,827,076)	(5,474,537)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	325,000	345,000
HEAF Appropriation	3,559,433	3,810,377
Additions to Endowments	567,655	3,225,661
Transfers In	38,787	1,396,024
Transfers Out	(903,480)	(864,907)
Increase (Decrease) in Net Assets	<u>(239,681)</u>	<u>2,437,618</u>
Net Assets, Beginning of Year	<u>89,138,120</u>	<u>86,700,502</u>
Net Assets, End of Year	<u>\$ 88,898,439</u>	<u>\$ 89,138,120</u>

Midwestern State University

Management's Discussion & Analysis - Unaudited

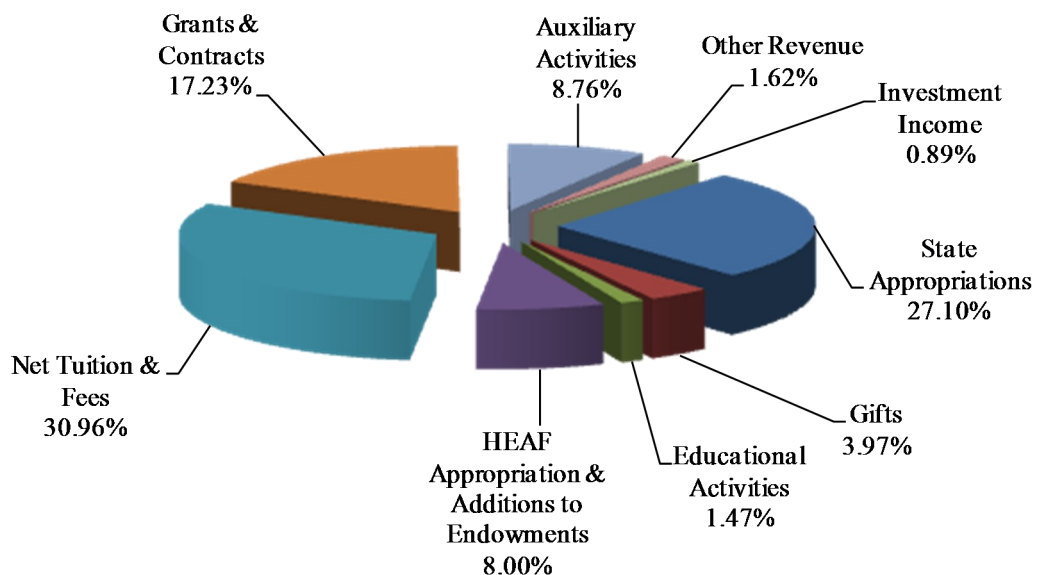
This chart identifies the components of total revenue for the year ended August 31, 2011.

Total Revenue - August 31, 2011



This chart reflects the same information for the year ended August 31, 2010.

Total Revenue - August 31, 2010

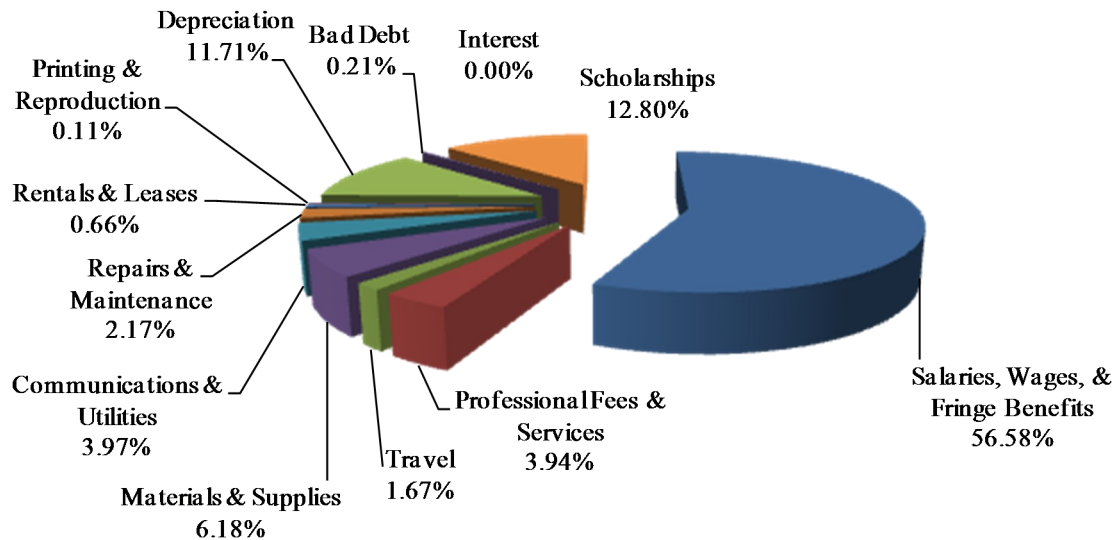


Midwestern State University

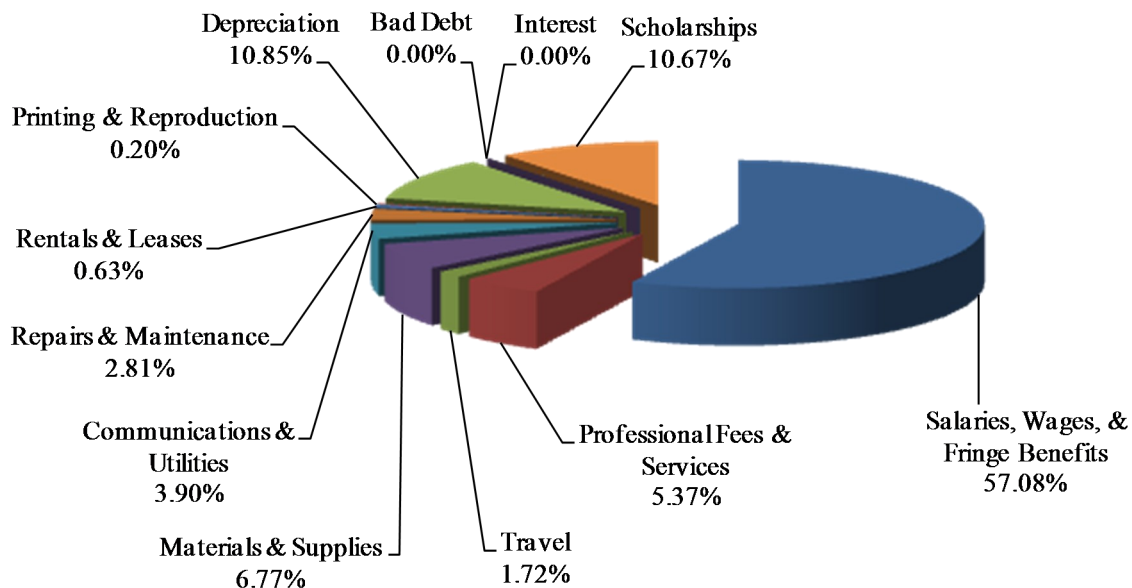
Management's Discussion & Analysis - Unaudited

Total operating expenses for the year ended August 31, 2011 were \$83,918,910 as compared to \$82,983,797 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2011 and fiscal year 2010.

Total Operating Expenses - August 31, 2011



Total Operating Expenses - August 31, 2010



Midwestern State University

Management's Discussion & Analysis - Unaudited

The University's Cash Flows

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

	<u>Cash Flows</u>	
	<u>2011</u>	<u>2010</u>
Cash provided (used) by:		
Operating activities	\$(27,728,042)	\$(31,432,780)
Noncapital financing activities	35,644,381	41,967,795
Capital and related financing activities	(9,257,799)	(5,755,855)
Investing activities	<u>1,970,862</u>	<u>(5,922,889)</u>
Net increase (decrease) in cash	629,401	(1,143,729)
Cash – Beginning of year	<u>5,058,452</u>	<u>6,202,181</u>
Cash – End of year	<u>\$ 5,687,853</u>	<u>\$ 5,058,452</u>

There was a net increase in cash of \$629,401.

Exhibit III, the Statement of Cash Flows, shows that the major sources of funds for operating activities are from student tuition and fees, grants and auxiliary enterprises. Tuition and fees accounted for \$29.8 million, grants accounted for \$5.8 million and auxiliary enterprises, including housing and dining, accounted for \$8.2 million.

State appropriations in the amount of \$22 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 million, additions to endowments in the amount of \$567 thousand, and \$10.2 million in Federal non-operating grants.

The main uses of capital and related financing activities came from the financing of renovations to D.L. Ligon Coliseum, Clark Student Center, McCullough Hall, Bolin Hall, the Simulation Center and the Museum. Cash was used to purchase capital assets in the amount of \$4.7 million and for the payment of principal and interest on capital debt in the amount of \$8.2 million.

Midwestern State University

Management's Discussion & Analysis - Unaudited

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2011, the university had \$136.7 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$98.6 million. Depreciation charges totaled \$9.8 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>2011</u>	<u>2010</u>
Land and Land Improvements	\$ 4,693,326	\$ 4,933,518
Construction in Progress	4,054,395	476,298
Buildings and Building Improvements	179,063,725	178,656,165
Infrastructure	10,463,927	10,463,927
Facilities Improvements	6,353,046	6,353,046
Furniture and Equipment	11,916,954	11,746,579
Vehicles	1,471,851	1,458,796
Computer Software	2,165,669	2,285,669
Other Capital Assets	<u>15,137,634</u>	<u>15,029,483</u>
Total	<u>\$235,320,527</u>	<u>\$231,403,481</u>

Additions to assets of \$5.7 million during fiscal year 2010-2011 included: renovations to McCullough Hall, Bolin Hall, the Simulation Center, the Museum and completion of the softball dressing room building.

The construction in progress at the end of the year is the continued renovation of D.L. Ligon Coliseum, the Clark Student Center electrical renovation, and several energy conservation measures.

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

Midwestern State University

Management's Discussion & Analysis - Unaudited

Debt

At year-end, the university had \$133 million in outstanding debt. Outstanding debt for the year ended August 31, 2010 was \$141 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2011 compared with August 31, 2010.

	<u>2011</u>	<u>2010</u>
Revenue Bonds	\$ 84,520,000	\$ 86,940,136
General Obligation Bonds (HEAF)	4,210,000	5,515,000
Accrued long term interest payable on bonds	44,506,799	49,378,291
Total	<u>\$ 133,236,799</u>	<u>\$ 141,833,427</u>

Debt repayments made during the year included principal in the amount of \$4,585,000 and interest in the amount of \$4,011,628.

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 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 and master's level education.

The university is composed of three colleges of arts and sciences: Prothro-Yeager College of Humanities and Social Sciences, College of Science and Mathematics, and Lamar D. Fain College of Fine Arts; and three professional colleges: Dillard College of Business Administration, College of Health Sciences and Human Services, and Gordon T. and Ellen West College of Education.

Recent University Progress

- The university has been honored to receive a \$2.25 million matching gift pledge to pay the remaining debt of \$4.5 million on the Dillard College of Business Administration building constructed in 2006. The funds required for the match have been raised and the Dillard building debt will be paid over the next three years with these privately donated funds. The building will not be paid in one payment since the bond cannot be called and no interest would be saved. Regular payments in August of each of the next three fiscal years will be paid from private funds. The release of over \$4 million in Higher Education Assistance Funds (HEAF) that are constitutionally dedicated to the university and are currently being used to pay the Dillard building debt will allow the university to take on a series of new projects that will begin in late Spring 2012. These projects will be funded with approximately \$12 million from a bond underwritten by HEAF and several million dollars contributed by four major university donors and four local foundations. The projects will include the razing of five vacant buildings on the northwest corner of the university campus, the construction of new commuter parking lots on the northwest corner of the campus and across the street from the northwest corner of the campus (Louis J. Rodriguez Drive and Hampstead Lane).

Midwestern State University

Management's Discussion & Analysis - Unaudited

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- Further, the university will use donated funds and HEAF to add much needed laboratory space to the Bolin Science Hall, to expand the McCoy Engineering Building, and to totally renovate the buildings on the Christ Academy property. The Christ Academy property was purchased for \$2.3 million in 2009. The renovated space will be beautiful, will be functional, and will house a portion of the university's music program, the mass communications program, and the university's counseling center. In addition to these improvements, the university will close some campus streets to improve the traffic flow and to beautify the campus. It will be landscaped with plants that are native to this area of Texas. The university is raising approximately \$3.4 million to renovate the Wichita Falls Museum of Art at Midwestern State University. Funds will be raised to light the softball and soccer fields in order to bring more tournaments and visitors to the campus. Finally, private funds will be used to construct a football field house for the university's football program. Long range plans include the building of a new library or the complete renovation of the existing Moffett Library which was constructed in 1968.
- 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 2010-2011 exceeded \$3.9 million. The two annual giving campaigns (Annual Fund and President's Excellence Circle) accounted for \$714,826 that go into competitive scholarships, student aid, and faculty and student research projects.

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 and the increasing of admission standards would push some of our entering class into community colleges. This concern did turn into a reality and Midwestern State University experienced an enrollment downturn. The loss of income from this enrollment decline will not be taken from the university's reserve but the university's operating costs will be reduced in order to enter fiscal year 2013 in strong financial condition. Currently, the university is reviewing all of its services, programs, and costs in order to bring about efficiencies that will assist the university in expanding the capacity of growth programs such as mechanical engineering, nursing, respiratory care, and radiologic science.
- In regard to academic programs, low producing programs are being carefully scrutinized and currently the university is planning expansion of programs to include a master's degree in mechanical engineering, a new baccalaureate level degree program in manufacturing engineering, and the expansion of the geology program to include a master's program in professional geology.
- Since fiscal year 2010, the university's state funding has been cut by \$12.2 million dollars. The university has absorbed those cuts by raising tuition 4% for fiscal year 2012, by redirecting operational costs, and raising private funds. Today the university's operating budget is composed of approximately 25% state funding, 25% donations and grants, and 50% tuition and fees. MSU's tuition remains below the State of Texas average.
- The deregulation of tuition in 2003 has proven to be a boon to most financially starved public institutions in Texas. The administration and board applauds the legislature for not capping tuition. The trust placed in boards and administrations by the legislature is critical to our future stability.



Midwestern State University

Management's Discussion & Analysis—Unaudited

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- The MSU's Board of Regents, upon recommendation of its administration, established the Mustangs Guarantee. 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 the program will encourage students to investigate the cost of a college education rather than eliminating themselves without complete research.
- 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 university, but it is a traditional residential university of younger students coming from many large metropolitan areas in Texas, 41 states, and 52 different nations. It is clear that the university has prepared for and will experience enrollment increases. 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.
- Finally, 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 costs of energy, faculty, and equipment.

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Midwestern State University

Unaudited

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

ASSETS		2011	2010
Current Assets:			
<u>Cash and Cash Equivalents:</u>			
Cash on Hand	\$	17,000	\$ 16,000
Cash in Bank		3,421,796	1,642,987
Cash in State Treasury		4,702,214	4,708,531
Short-term Investments		19,981,208	25,336,548
State Appropriations		1,007,602	763,482
<u>Restricted:</u>			
Cash and Cash Equivalents:			
Cash in Bank		(2,453,157)	(1,309,067)
Short-term Investments			
Notes and Loans receivable		11,867	14,253
<u>Net Receivables:</u>			
Student Receivables		5,383,687	4,503,601
Federal Receivables		232,899	862,400
Other Intergovernmental Receivables		59,064	2,567
Interfund Receivable			122,717
Interest and Dividends		42,502	76,897
Other Receivables		1,336,360	1,432,341
Pledges receivable		435,258	263,906
Consumable Inventories		257,984	263,403
Prepaid Expenses		7,766,001	8,028,011
Total Current Assets		<u>42,202,285</u>	<u>46,728,577</u>
Noncurrent Assets:			
<u>Restricted:</u>			
Short-term Investments		4,255,992	16,150,844
Investments		3,900,222	
Loans and Contracts		78,034	93,723
Other Long term Investments		20,616,520	8,275,276
Deferred Financing Costs		1,210,338	1,074,380
<u>Capital Assets, Non-depreciable:</u>			
Land and Land Improvements	\$	4,693,326	\$ 4,933,519
Construction in Progress		4,054,395	476,298
Other Capital Assets		3,480,715	3,480,715
		12,228,436	8,890,532
<u>Capital Assets, Depreciable:</u>			
Buildings & Building Improvements		179,063,725	178,656,164
Less Accumulated Depreciation		(70,773,319)	(63,367,533)
Infrastructure		10,463,927	10,463,927
Less Accumulated Depreciation		(4,554,384)	(4,145,348)
Facilities and Other Improvements		6,353,046	6,353,046
Less Accumulated Depreciation		(3,335,774)	(3,043,451)
Furniture and Equipment		11,916,954	11,746,579
Less Accumulated Depreciation		(8,342,511)	(7,726,736)
Vehicles		1,471,850	1,458,796
Less Accumulated Depreciation		(1,047,733)	(1,041,036)
Other Capital Assets		11,656,920	11,548,768
Less Accumulated Depreciation		(9,498,507)	(9,223,303)
<u>Intangible Capital Assets, Amortizable:</u>			
Computer Software		2,165,669	2,285,669
Less Accumulated Depreciation		(1,089,919)	(1,003,866)
Total Noncurrent Assets		<u>166,739,488</u>	<u>167,446,431</u>
Total Assets		<u>\$ 208,941,773</u>	<u>\$ 214,175,008</u>

Year
Ended
8-31-2011
(UNAUDITED)

LIABILITIES		
	<u>2011</u>	<u>2010</u>
Current Liabilities:		
Accounts Payable	\$ 4,148,355	\$ 4,646,781
Accrued Liabilities	3,460,372	3,890,771
Employees' Compensable Leave	167,335	174,365
Room/Property Deposits	76,639	91,650
Deferred Revenues	22,361,752	21,913,510
Retainages and Contracts	62,474	102,388
Interfund Payable		122,716
Funds Held for Others	81,365	89,722
Capital Lease		12,581
Unamortized Discount on Rev Bonds	(12,344)	
Unamortized Discount on Rev Bonds	43,904	
Revenue Bonds Payable	3,565,000	3,280,000
Constitutional Appropriation Bonds	1,350,000	1,305,000
Total Current Liabilities	<u>35,304,852</u>	<u>35,629,484</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	1,266,021	1,254,594
Room/Property Deposits	199,331	274,949
Capital Lease		7,725
Unamortized Discount on Rev Bonds	(246,566)	
Unaccreted Premium on Rev Bonds	379,373	
Revenue Bonds Payable	80,280,322	83,660,136
Constitutional Appropriation Bonds	2,860,000	4,210,000
Total Noncurrent Liabilities	<u>84,738,481</u>	<u>89,407,404</u>
Total Liabilities	<u>120,043,333</u>	<u>125,036,888</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	53,679,004	57,549,239
Restricted for:		
Debt Retirement		
Nonexpendable	3,900,222	3,705,061
Expendable:		
Capital Projects	1,211,967	1,890,072
Restricted by Contributor	3,949,667	4,447,794
Unrestricted	26,157,580	21,545,954
Total Net Assets	<u>88,898,440</u>	<u>89,138,120</u>
Total Liabilities and Net Assets	<u>\$ 208,941,773</u>	<u>\$ 214,175,008</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>2011</u>	<u>2010</u>
Operating Revenues:		
Student Tuition and Fees (net of scholarship allowances of \$10,307,682 and \$8,646,024, respectively)	\$ 30,074,871	\$ 27,232,058
Federal Grants	2,059,758	2,155,604
Federal Pass-Through Grants	239,951	489,810
State Grants Pass-Through from Other State Agencies	3,340,474	2,840,972
Other Grants and Contracts	19,006	142,774
Sales and Services of Educational Activities	1,165,346	1,295,668
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of \$57,414 and \$31,853, respectively)	8,383,510	7,702,512
Other Operating Revenue	1,517,980	1,436,170
Total Operating Revenues	<u>46,800,896</u>	<u>43,295,568</u>
Operating Expenses:		
Salaries and Wages	37,412,149	37,660,008
Payroll Related Costs	10,066,127	9,703,005
Professional Fees and Services	3,137,746	4,039,952
Travel	1,400,170	1,426,050
Materials and Supplies	5,189,036	5,618,453
Communications and Utilities	3,332,719	3,234,312
Repairs and Maintenance	1,822,130	2,331,919
Rentals and Leases	549,104	525,350
Printing and Reproduction	96,012	170,421
Federal Pass Through Expenditures	167,229	415,922
Depreciation	9,827,660	9,000,304
Bad Debt Expense	174,902	2,180
Interest	622	3,253
Scholarships	10,743,304	8,852,668
Total Operating Expenses	<u>83,918,910</u>	<u>82,983,797</u>
Operating Loss	(37,118,014)	(39,688,229)
Nonoperating Revenues (Expenses):		
State Appropriations	18,252,263	18,737,709
Additional State Appropriations	4,676,181	5,094,390
Legislative Appropriations Lapsed		
Federal Pass-Through Grants	625,759	1,068,928
Federal Grants	9,633,055	8,456,902
Gifts	3,030,962	3,491,801
Other Nonoperating revenues (expense)	6,106	(14,885)
Investment Income	766,675	778,884
Net Increase (Decrease) in Fair Value of Investments	218,119	65,892
Net Book Value of Capital Asset Disposals	(105,042)	(18,881)
Interest Expense on Capital Asset Financing	(3,813,140)	(3,447,048)
Total Nonoperating Revenues (Expenses)	<u>33,290,938</u>	<u>34,213,692</u>
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(3,827,076)	(5,474,537)

Year
Ended
8-31-2011
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
Capital Contributions	\$ 325,000	\$ 345,000
HEAF Appropriation	3,559,433	3,810,377
Additions to Endowments	567,655	3,225,661
Transfer In	38,787	1,396,024
Transfers Out	<u>(903,480)</u>	<u>(864,907)</u>
Increase (Decrease) in Net Assets	(239,681)	2,437,618
Net Assets, Beginning of Year	89,138,120	86,700,502
Net Assets, End of Year	<u>\$ 88,898,440</u>	<u>\$ 89,138,120</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, 2011

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$ 37,412,149	\$ 20,784,250	\$ 300,745	\$ 403,093	\$ 2,519,429
Payroll Related Costs	10,066,127	5,392,890	15,627	83,506	682,278
Professional Fees and Services	3,137,746	596,631	85,118	53,010	881,475
Travel	1,400,170	462,280	18,688	37,842	167,300
Materials and Supplies	5,189,036	613,668	35,554	151,374	720,901
Communications and Utilities	3,332,719	59,744	140	2,855	25,500
Repairs and Maintenance	1,822,130	211,688	75	28,673	86,470
Rentals and Leases	549,104	116,101	62	68,451	36,777
Printing and Reproduction	96,012	43,045	354	10,802	46,580
Federal Pass Through Expenditures	167,229				167,228
Depreciation & Amortization	9,827,660				
Bad Debt Expense	174,902				
Interest	622	7		116	26
Scholarships	10,743,304				
Total Operating Expenses	\$ 83,918,910	\$ 28,280,304	\$ 456,363	\$ 839,722	\$ 5,333,964

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

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$ 37,660,008	\$ 20,717,102	\$ 289,903	\$ 446,708	\$ 2,620,146
Payroll Related Costs	9,703,005	5,213,484	23,479	95,085	641,576
Professional Fees and Services	4,039,952	563,711	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	\$ 28,197,986	\$ 542,631	\$ 940,156	\$ 6,052,862

Year
Ended
8-31-2011
(UNAUDITED)

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation & Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 5,356,797	\$ 4,476,728	\$ 2,441,882		\$ 1,129,225	
1,391,094	1,254,772	941,598		304,362	
1,388,846	(661,448)	148,594		645,519	
641,102	59,913	5,736		7,310	
935,282	550,071	442,692		1,739,494	
223,078	(38,334)	2,135,707		924,031	
219,396	593,675	364,135		318,018	
172,715	117,609	9,108		28,282	
124,050	(141,821)	489		12,512	
					\$ 9,827,660
174,902					
44	11	378		39	
			<u>\$ 10,743,304</u>		
<u>\$ 10,627,306</u>	<u>\$ 6,211,176</u>	<u>\$ 6,490,319</u>	<u>\$ 10,743,304</u>	<u>\$ 5,108,792</u>	<u>\$ 9,827,660</u>

<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)	414,564		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		336,319	
139,370	74,082	31,748		28,770	
185,306	(147,286)	1,106		13,317	
					\$ 9,000,304
2,180					
75		1,815		1,317	
			<u>\$ 8,852,668</u>		
<u>\$ 10,379,695</u>	<u>\$ 7,094,878</u>	<u>\$ 7,148,452</u>	<u>\$ 8,852,668</u>	<u>\$ 4,774,167</u>	<u>\$ 9,000,304</u>

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

Midwestern State University

Unaudited

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

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Proceeds Received from Students	\$ 29,843,453	\$ 28,837,469
Proceeds Received for Sponsored Programs	5,875,588	4,971,858
Proceeds Received from Auxiliary Enterprises	8,293,540	8,190,146
Proceeds From Loan Programs	43,464	35,881
Proceeds From Other Revenues	2,683,326	2,731,839
Payments to Employees	(47,904,277)	(46,999,288)
Payments to Suppliers for Good and Services	(15,982,235)	(19,086,736)
Payments for Scholarships	(10,580,279)	(10,110,696)
Payments for Loans Provided	(622)	(3,253)
Net Cash Provided (Used) by Operating Activities	<u>(27,728,042)</u>	<u>(31,432,780)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	22,684,323	26,642,259
Proceeds from Endowment Gifts	567,655	3,187,697
Proceeds from Gifts	3,030,962	3,491,802
Proceeds from Other Noncapital Financing Activities	6,106	(14,885)
Proceeds from Nonoperating Grants	10,258,815	9,525,829
Transfers out to Other Funds	(903,480)	(864,907)
Net Cash Provided by Noncapital Financing Activities	<u>35,644,381</u>	<u>41,967,795</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Debt		6,939,373
Proceeds from Capital Gifts	153,648	1,274,068
Proceeds from HEAF Appropriations	3,559,433	3,810,377
Proceeds From Interest on Capital Investments	31,663	149,029
Payments for Additions to Capital Assets	(4,720,088)	(10,491,546)
Principal Paid on Capital Related Debt	(4,573,747)	(3,860,000)
Interest Paid on Capital Related Debt	(3,708,709)	(3,386,933)
Payments of Costs of Debt Issuance		(190,223)
Net Cash Provided by Capital and Related Financing Activities	<u>(9,257,800)</u>	<u>(5,755,855)</u>
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	711,378	666,295
Proceeds from Sales and Maturities of Investments	22,864,207	28,208,508
Payments to Acquire Investments	(21,604,723)	(34,797,692)
Net Cash Provided (Used) by Investing Activities	<u>1,970,862</u>	<u>(5,922,889)</u>
Increase (Decrease) in Cash and Cash Equivalents	629,401	(1,143,729)
Cash and Cash Equivalents, September 1, 2010	<u>5,058,452</u>	<u>6,202,181</u>
Cash and Cash Equivalents, August 31, 2011	<u>\$ 5,687,853</u>	<u>\$ 5,058,452</u>

Year
Ended
8-31-2011
(UNAUDITED)

	<u>2011</u>	<u>2010</u>
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Assets:		
Current Assets:		
Cash On Hand	\$ 17,000	\$ 16,000
Cash In Bank	3,421,796	1,642,988
Cash in State Treasury	4,702,214	4,708,531
Restricted:		
Cash In Bank	(2,453,157)	(1,309,067)
	<u>\$ 5,687,853</u>	<u>\$ 5,058,452</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (37,118,014)	\$ (39,688,229)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Amortization and Depreciation	9,827,660	9,000,304
Bad Debt Expense	174,902	2,180
(Increase) Decrease in Receivables	(386,002)	276,763
(Increase) Decrease in Inventories	5,419	34,068
(Increase) Decrease in Prepaid Expenses	262,011	(1,281,180)
(Increase) Decrease in Loans	2,386	508
Increase (Decrease) in Payables	(906,146)	(1,466,771)
Increase (Decrease) in Deferred Income	448,242	1,574,902
Increase (Decrease) in Other Liabilities	(38,500)	114,674
Total Adjustments	<u>9,389,972</u>	<u>8,255,448</u>
Net Cash Used by Operating Activities	<u>\$ (27,728,042)</u>	<u>\$ (31,432,781)</u>
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 218,119	\$ 65,892
(Loss) Gain on Asset Disposals	(105,042)	(18,881)
Donated Investment Assets	7,500	59,900
Transfer In on Master Lease Purchase	38,788	1,396,024
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: 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.

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.

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, 2011, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/10	Adjustment	Reclassifications
			Completed CIP
<u>Non-depreciable or Non-Amortizable Assets:</u>			
Land and Land Improvements	\$ 4,933,518		
Construction in Progress	476,298		\$ (1,285,467)
Other Tangible Capital Assets	3,480,715		
Total Non-depreciable Assets or Non-Amortizable Assets:	8,890,531	0	(1,285,467)
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	178,656,165		1,274,995
Infrastructure	10,463,927		
Facilities and Other Improvements	6,353,046		
Furniture and Equipment	11,746,579		10,472
Vehicles	1,458,796		
Other Capital Assets	11,548,768		
Total Depreciable Assets:	220,227,281	0	1,285,467
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(63,367,533)		
Infrastructure	(4,145,348)		
Facilities and Other Improvements	(3,043,451)		
Furniture and Equipment	(7,726,736)		
Vehicles	(1,041,036)		
Other Capital Assets	(9,223,304)		
Total Accumulated Depreciation	(88,547,408)	0	0
Depreciable Assets, Net	131,679,873	0	1,285,467
<u>Amortizable Assets - Intangible</u>			
Computer Software	2,285,669		
Total Amortizable Assets - Intangible	2,285,669	0	0
Less Accumulated Amortization for:			
Computer Software	(1,003,866)		
Total Accumulated Amortization	(1,003,866)	0	0
Amortizable Assets - Intangible, Net	1,281,803	0	0
Business-Type Activities Capital Assets, Net	\$141,852,207	\$ 0	\$ 0

Additions	Deletions	Balance 08/31/11
	\$ (240,192)	\$ 4,693,326
\$4,863,564		4,054,395
		3,480,715
4,863,564	(240,192)	12,228,436
	(867,435)	179,063,725
		10,463,927
		6,353,046
536,349	(376,446)	11,916,954
129,796	(116,741)	1,471,851
178,568	(70,417)	11,656,919
844,713	(1,431,039)	220,926,422
(7,490,065)	84,279	(70,773,319)
(409,036)		(4,554,384)
(292,323)		(3,335,774)
(961,126)	345,351	(8,342,510)
(123,438)	116,741	(1,047,733)
(345,619)	70,416	(9,498,507)
(9,621,607)	616,787	(97,552,227)
(8,776,894)	(814,252)	123,374,195
0	(120,000)	2,165,669
0	(120,000)	2,165,669
(206,053)	120,000	(1,089,919)
(206,053)	0	(1,089,919)
(206,053)	0	10,075,750
<u>\$(4,119,383)</u>	<u>\$(1,054,444)</u>	<u>\$136,678,381</u>

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Deposits, Investments, & Repurchase Agreements

Authorized Investments

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

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

The university also employs four investment managers to manage the assets of the university's endowments which total \$16,307,800 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets.

Deposits of Cash in Bank

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

	<u>2011</u>	<u>2010</u>
Cash on Hand	\$ 17,000	\$ 16,000
Cash in Bank	968,639	333,920
Cash in State Treasury	4,702,214	4,708,531
Total Cash and Cash Equivalents	<u>\$5,687,853</u>	<u>\$5,058,452</u>
Current Assets—Cash and Cash Equivalents		
Cash on Hand	\$ 17,000	\$ 16,000
Cash in Bank	3,421,796	1,642,987
Cash in State Treasury	4,702,214	4,708,531
Current Assets—Restricted Cash and Cash Equivalents	<u>(2,453,157)</u>	<u>(1,309,066)</u>
Total Cash and Cash Equivalents	<u>\$5,687,853</u>	<u>\$5,058,452</u>

Custodial Credit Risk for Deposits

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

The university's bank balance at August 31, 2011 was \$1,845,317. The entire amount was covered under the Dodd-Frank Deposit Insurance provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act which provides that all funds in a non-interest bearing transaction account are insured in full by the FDIC from December 31, 2010, through December 31, 2012. This temporarily unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

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>2011</u>	<u>2010</u>
U.S. Government Agency Obligations	\$11,765,109	\$12,636,445
Corporate Bonds	1,780,799	1,237,732
Fixed Income Exchange Traded Funds (ETFs)	2,587,522	
Equities	9,624,120	2,989,621
Other Commingled Funds - Texpool	9,596,350	18,689,519
Other Commingled Funds - LOGIC	479,079	478,117
Other Commingled Funds - Goldman Sachs	751,786	59,913
Other Commingled Funds - Citibank	4,074,405	8,061,767
Certificates of Deposit - First National Bank	6,100,661	4,020,065
Money Market - JP Morgan Chase	1,003,405	1,301,201
Other Money Market funds	82,398	
Alternative Investments (including hedge funds)	908,308	288,288
Total Investments	<u>\$48,753,942</u>	<u>\$49,762,668</u>
Current Assets—Short-Term Investments	\$19,981,208	\$25,336,548
Non-Current Assets—Restricted Short-Term Investments	4,255,992	16,150,844
Non-Current Assets—Restricted Investments	3,900,222	
Non-Current Assets—Other Long Term Investments	20,616,520	8,275,275
Total Investments	<u>\$48,753,942</u>	<u>\$49,762,667</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, 2011, 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)	\$ 11,765,109			
Corporate Bonds		\$ 240,282	\$ 793,498	\$ 747,019
Fixed Income Exchange Traded Funds (ETFs)	341,100	576,171	779,557	281,085
Comingled Funds—Texpool & LOGIC	10,075,429			

Investment Type	BB	B	Collateralized	Not Rated
Fixed Income Exchange Traded Funds (ETFs)	\$ 51,062	\$ 536,131		\$ 22,417
Other Comingled Funds—Goldman Sachs				751,786
Other Comingled Funds—Citibank			\$ 4,074,405	
Certificate of Deposit—First National Bank			6,100,661	
Money Market—JP Morgan			1,003,405	
Other Money Market				82,398
Equities				9,624,120
Alternative Investments (including hedge funds)				908,308

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Continued

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2011, the university's concentration of credit risk is immaterial to any single issuer.

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

The university's investments exposed to interest rate risk as of August 31, 2011, were as follows:

Investment Type	Fair Value	Modified Duration
U.S. Government Agency Obligations	\$ 11,765,109	3.19
Corporate Bonds	\$ 1,780,799	4.38

Note 4: Short-Term Liabilities

Not Applicable

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2011, the following changes occurred in liabilities:

	Balance				Balance	Amounts Due Within One
Business-Type Activities	09-01-10	Restatement	Additions	Reductions	08-31-11	Year
Revenue Bonds Payable	\$86,940,136		\$185,185 *	\$3,280,000	\$83,845,321	\$3,565,000
Unamortized Premium on Revenue Bonds			498,665 *	75,388	423,277	43,904
Unamortized Discount on Revenue Bonds			(271,254) *	(12,344)	(258,910)	(12,344)
Subtotal	86,940,136		412,596	3,343,044	84,009,688	3,596,560
General Obligation Bond Payable	5,515,000			1,305,000	4,210,000	1,350,000
Compensable Leave	1,428,959		124,395	119,997	1,433,356	167,335
Capital Lease Obligations	20,306			20,306		
Total	\$93,904,401	\$0.00	\$ 536,991	\$4,788,347.35	\$89,653,044	\$5,113,895

*See Note 6

Midwestern State University

Notes To The Financial Statements - Unaudited

Employees' Compensable Leave

Benefit eligible staff and 12-month faculty members can earn annual leave from eight to twenty-one hours per month depending on the respective employee's years of state employment. The State's policy is that an employee may carry his 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 \$1,433,356. The University made lump sum payments totaling \$119,997 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2011, and payments of \$190,564 for August 31, 2010.

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

Note 6: Bonded Indebtedness

Revenue Bonds Payable

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

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

Revenue Financing System Revenue Bonds, Series 2002

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

Revenue and Refunding Bonds, Series 2003

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

Revenue and Refunding Bonds, Series 2007

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

Revenue Financing System Revenue Bonds, Series 2008

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

<u>Premium Capital Appreciation Bonds</u>			<u>Unamortized Premium on CAB</u>			<u>Combined Totals</u>	
Beginning Principal Amount		(345,136)	Beginning Premium		(498,665)	(843,801)	
Amortization Entries	FY11	(185,185)	Amortization Entries	FY11	75,388	(109,797)	
Balance at Year End		(530,321)	Balance at Year End		(423,277)	(953,598)	
Future Entries:	FY12	(85,348)	Future Entries:	FY12	43,904	(41,445)	
	FY13	(99,084)		FY13	55,837	(43,247)	
	FY14	(115,031)		FY14	69,903	(45,127)	
	FY15	(133,543)		FY15	86,457	(47,087)	
	FY16	(155,035)		FY16	105,902	(49,133)	
	FY17	(86,637)		FY17	61,274	(25,363)	
		(674,678)			423,277	(251,402)	
Maturity Value		(1,205,000)			0	(1,205,000)	

Revenue Financing System Revenue Bonds, Series 2010

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

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: Derivatives

Not Applicable.

Note 8: Leases

There are no capital leases outstanding at August 31, 2011.

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, 2011 compared to the previous year are shown below:

	Year Ended August 31, 2011	Year Ended August 31, 2010
Member Contributions	\$1,148,451	\$1,160,529
Employer Contributions	\$1,270,927	\$1,290,204
Total Remittance	\$2,419,378	\$2,450,733

Note 10: Deferred Compensation

The university's Board of Regents approved a non-qualified deferred compensation plan for the university President which provided 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 received the full distribution of the \$91,547 balance of the Deferred Compensation Account. A second non-qualified deferred compensation plan was approved by the Board of Regents, which provided for \$1,250 per month to be set-aside for the President for twelve months beginning September 1, 2010 and ending August 31, 2011, at which time the amount of \$3,750 per month would be set-aside for the President for twenty-four months, ending August 31, 2013. The balance of this account at August 31, 2011 was \$15,055.

Note 11: Post-employment Health Care and Life Insurance Benefits

Not Applicable.

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Midwestern State University

Notes To The Financial Statements - Unaudited

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
<u>Due to Due From:</u>			
Texas Department of Motor Vehicles, 608 D23 Fund 5015	\$ 1		Texas Collegiate License Plate Fund
Texas Tech University, 733 D23 Fund 7999	56,362		Small Business Development Center
Stephen F. Austin State University, 755 D23 Fund 7999	2,701		Stateview Program Development
Total Due From/To	<u>\$59,064</u>		

	<u>Transfer In</u>	<u>Transfer Out</u>	
<u>Operating Transfers:</u>			
Texas Higher Education Coordinating Board, 781			
D23 Fund 5103		\$ 318,935	Texas B-On-Time Loan Program
D23 Fund 0264		967	Dental Hygienist Degree or Certification Program
Texas Public Finance Authority, 347			
D23 Fund 7999		474,121	Master Lease Purchase Payment
D23 Fund 7999		109,457	Master Lease Purchase Payment
D23 Fund 7999	\$ 38,787		Master Lease Purchase Payment
Total Transfers	<u>\$ 38,787</u>	<u>\$ 903,480</u>	

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

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balances and Net Assets

Not Applicable.

Note 15: Contingencies and Commitments

There is no pending or threatened litigation.

Note 16: Subsequent Events

While the university does not expect any additional state resources by capital construction enhancement from state appropriations for the next biennium, the generous support of donor contributions will enhance its long-term and short-term capital needs for construction for the next two years, and thereby release other debt service support from HEAF appropriations currently committed to our Dillard College of Business facility through fiscal year 2014.

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 16: Continued

Short-term capital projects will include a new University Police Building, renovation of Christ Academy, and razing of several old facilities to accommodate new parking. Beyond those projects, consultants for a new housing expansion project have reviewed the market potential for such an expansion and believe it is certainly a financially viable project, and the MSU administration has since received approval by the MSU Board of Regents to begin planning for a 350-bed residence hall, with an estimated cost between \$22 to \$24 million. The total cost of the project will be financed by a bond issue, and repaid by additional rental revenue.

A campus master plan being developed in FY 2012 includes a new library, accompanied with changes to the use of the current library with an estimated potential cost of \$59 million. The existing facility would be used to accommodate the West College of Education Information Technology Center. Such construction is dependent on authorization from the Texas State Legislature for tuition revenue bonds which will be delayed until a favorable increase in the national economy.

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, 2011, there were no known claim liabilities.

The State provides coverage for workers' compensation and unemployment benefits from appropriations made to other state agencies for university employees. The university was assessed \$118,730 and \$101,258 for worker's compensation coverage for fiscal years ending August 31, 2010 and 2011, 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.

Midwestern State University

Notes To The Financial Statements - Unaudited

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 \$611,378 to the University during the year ended August 31, 2011, and \$798,254 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$460,070 to the University during the year ended August 31, 2011 and \$406,405 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2011 are reported by their trustees in the amount of \$15,934,000 and \$22,609,910, respectively.

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

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	\$ 6,547	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.

Midwestern State University

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2011, with Comparative Totals for the Year Ended August 31, 2010

	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		\$ 5,042	
<u>National Endowment for the Humanities</u>						
Pass-Through From:						
Humanities Texas						
Promotion of the Humanities-Federal/State Partnership	45.129	45				
Direct Programs:						
Promotion of the Arts-Grants to Organizations and Individuals	45.024					
Promotion of the Humanities-Division of Preservation and Access	45.149					
Totals - National Endowment for the Humanities						
<u>Small Business Administration</u>						
Pass-Through From:						
TTU-Small Business Development Center	59.037		733		114,603	
<u>U.S. Department of Education</u>						
: Direct Program:						
Bilingual Education Professional Development	84.195					
Pass-Through From:						
THECB-Improving Teacher Quality State Grants	84.367		781	\$ 34,375		
THECB-College Access Challenge Grant Program	84.378		781	43,295		
Totals - U.S. Department of Education				77,670		
<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		764			
Special Education (IDEA) Cluster						
<u>U.S. Department of Education</u>						
Pass-Through From:						
TAMU Texarkana-Special Ed Grants to State	84.027		764		40,636	
Statewide Data Systems Cluster						
<u>U.S. Department of Education</u>						
Pass-Through From:						
Statewide Data Systems	84.372		781	2,000		

Direct Program	Total Pass-Through From & Direct Program	Pass-Through To		Expenditures	2011	2010
		Agency or Univ Amount	Non-State Entities Amount		Total PT To and Expenditures Amount	Total PT To and Expenditures Amount
	\$ 5,042			\$ 5,042	\$ 5,042	\$ 2,218
						1,500
						3,858
4,000	4,000			4,000	4,000	
4,000	4,000			4,000	4,000	5,358
	114,603			114,603	114,603	121,781
279,354	279,354			279,354	279,354	292,323
	34,375			34,375	34,375	155,643
	43,295			43,295	43,295	145,371
279,354	357,024			357,024	357,024	593,337
26,920	26,920			26,920	26,920	32,700
						10,145
	40,636			40,636	40,636	39,368
	2,000			2,000	2,000	

Midwestern State University

Unaudited

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

For the Year Ended August 31, 2011 with Comparative Totals for the Year Ended August 31, 2010

	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			\$ 625,759		
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-Student Support Services	84.042					
TRIO-Upward Bound	84.047					
Totals—U.S. Department of Education						
WIA Cluster						
<u>U.S. Department of Labor</u>						
Pass-Through From:						
TWC-WIA Dislocated Workers	17.260					
Total Federal Financial Assistance				\$ 705,429	160,281	

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				
84.268 Federal Direct Student Loans Program	\$28,547,813			
84.038 Federal Perkins Loan Program	16,000			\$ 89,901
Total Department of Education	\$28,563,813			\$ 89,901

Note 7: Federal Deferred Revenue

CFDA Number/Program Name	Federal Deferred Revenue 09/01/10	Increase / (Decrease)	Federal Deferred Revenue 08/31/11
84.033 Federal Work Study Program	\$ 2,293	\$ (2,293)	
84.367 Improving Teacher Quality State Grants	69,501	(69,501)	
Total Deferred Revenue	\$ 71,794	\$ (71,794)	

Year
Ended
8-31-2011
(UNAUDITED)

Direct Program	Total Pass-Through From & Direct Program	Pass-Through To		Expenditures	2011	2010
		Agency or Univ Amount	Non-State Entities Amount		Total PT To and Expenditures Amount	Total PT To and Expenditures Amount
\$ 167,472	\$ 167,472			\$ 167,472	\$ 167,472	\$ 179,644
						24,951,829
134,876	134,876			134,876	134,876	103,466
16,000	16,000			16,000	16,000	20,000
9,633,055	9,633,055			9,633,055	9,633,055	8,456,902
28,547,813	28,547,813			28,547,813	28,547,813	2,302,760
268,542	268,542			268,542	268,542	226,225
84,000	84,000			84,000	84,000	83,901
161,259	161,259			161,259	161,259	54,955
39,013,017	39,013,017			39,013,017	39,013,017	36,379,682
	625,759			625,759	625,759	1,088,235
424,652	424,652	\$ 167,229		257,423	424,652	867,265
205,632	205,632			205,632	205,632	
303,051	303,051			303,051	303,051	299,621
508,683	508,683			508,683	508,683	299,621
						6,122
\$40,256,626	\$41,122,336	\$ 167,229		\$40,955,107	\$41,122,336	\$39,445,832

Note 2: Reconciliation

Federal Revenues - Per Exhibit II	08/31/2011
Federal Grant Revenue - Operating	\$ 2,059,758
Federal Grant Revenue - Non-Operating	9,633,055
Federal Pass-through Revenue-Operating	239,951
Federal Pass-through Revenue-Non-Operating	625,759
Total Federal Revenues	12,558,523
Reconciling Items: New Loans Processed	
Federal Perkins Loans Processed	16,000
Federal Direct Student Loans Processed	28,547,813
	\$41,122,336

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>2011</u>	<u>2010</u>
Pass Through From:		
UT System (Agy #720)		
Joint Admission Medical Program (JAMP)	\$ 13,362	\$ 5,756
Texas Higher Education Coordinating Board (Agy #781)		
5th Year Accounting	0	5,000
Certified Educational Aide Program	95,880	0
College Readiness Initiative	7,620	103,196
College Work Study Program	31,357	33,235
Early High School Program HB 1479	14,906	0
Engineering Recruitment Program	22,246	18,000
Financial Aid - Professional Nursing	24,793	22,564
General Academic Enrollment Growth	14,525	16,601
Nursing & Allied Health	188,979	0
Professional Nursing Shortage Reduction Program	91,084	217,514
Texas Grants Program	2,695,722	2,307,106
Top 10% Scholarships	140,000	112,000
Total Operating Pass Through Revenue (Exhibit II)	<u>\$3,340,474</u>	<u>\$2,840,972</u>

Pass Through To:

None

Midwestern State University

Unaudited

Midwestern State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2011

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	<u>\$107,185,136</u>				

Midwestern State University

Unaudited

Midwestern State University
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2011

Description of Issue	Bonds Outstanding 09-01-2010	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2011	Amounts Due Within One Year
<u>General Obligation Bonds:</u>						
Constitutional Appropriation Bonds:						
Series 2004	\$ 5,515,000		\$1,305,000		\$ 4,210,000	\$1,350,000
<u>Revenue Bonds:</u>						
Revenue Financing System Revenue Bonds:						
Series 2002	6,340,000		405,000		5,935,000	425,000
Building Revenue and Refunding Bonds:						
Series 2003	9,360,000		705,000		8,655,000	730,000
Revenue and Refunding Bonds:						
Series 2007	27,030,000		1,185,000		25,845,000	1,240,000
Revenue Financing System Revenue Bonds:						
Series 2008	37,510,136	185,185 *	985,000		36,710,321	1,020,000
Revenue Financing System Revenue Bonds:						
Series 2010	6,700,000		0		6,700,000	150,000
Total	<u>\$92,455,136</u>	<u>\$185,185</u>	<u>\$4,585,000</u>		<u>\$88,055,321</u>	<u>\$4,915,000</u>

*Accretion on Capital Appreciation Bonds

<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Unamortized Gain (Loss) On Refund- ing</u>	<u>Net Bonds Outstanding 08-31-2011</u>	<u>Amounts Due Within One Year</u>
			\$ 4,210,000	
			5,935,000	
			8,655,000	
	(\$258,910)		25,586,090	(\$12,344)
\$ 423,277			37,133,598	43,904
			6,700,000	
<u>\$ 423,277</u>	<u>(\$258,910)</u>		<u>\$88,219,688</u>	<u>\$31,560</u>

Midwestern State University

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**Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2011**

Business Type Activities

Description of Issue	2012	2013	2014	2015	2016
<u>General Obligation Bonds:</u>					
Constitutional Appropriation Bonds:					
Series 2004					
Principal	\$1,350,000	\$1,405,000	\$1,455,000		
Interest	127,362	79,150	27,281		
<u>Revenue Bonds:</u>					
Revenue Financing System Revenue Bonds:					
Series 2002					
Principal	425,000	445,000	465,000	485,000	505,000
Interest	266,176	247,133	227,239	206,809	185,024
Revenue Financing System Revenue and Refunding Bonds:					
Series 2003					
Principal	730,000	760,000	790,000	830,000	600,000
Interest	387,698	357,898	326,898	289,310	254,472
Revenue Financing System Revenue and Refunding Bonds:					
Series 2007					
Principal	1,240,000	1,290,000	1,350,000	1,400,000	1,455,000
Interest	1,083,332	1,032,733	979,932	924,933	866,014
Revenue Financing System Revenue Bonds:					
Series 2008					
Principal	1,020,000	1,055,000	1,095,000	1,140,000	1,180,000
Interest	1,641,895	1,605,582	1,566,589	1,523,258	1,476,858
Revenue Financing System Revenue Bonds:					
Series 2010					
Principal	150,000	155,000	160,000	170,000	180,000
Interest	303,506	297,406	291,106	284,506	276,606
Total	8,724,969	8,729,902	8,734,045	7,253,816	6,978,974
Less Interest	(3,809,969)	(3,619,902)	(3,419,045)	(3,228,816)	(3,058,974)
Total Principal	<u>\$4,915,000</u>	<u>\$5,110,000</u>	<u>\$5,315,000</u>	<u>\$4,025,000</u>	<u>\$3,920,000</u>

Year
Ended
8-31-2011
(UNAUDITED)

<u>2017-21</u>	<u>2022-26</u>	<u>2027-31</u>	<u>2032-36</u>	<u>Total Requirements</u>
				\$ 4,210,000
				233,793
2,930,000	680,000			5,935,000
539,759	17,000			1,689,140
2,480,000	2,465,000			8,655,000
925,791	254,375			2,796,442
6,795,000	6,025,000	5,055,000	1,235,000	25,845,000
3,425,094	2,133,180	778,872	47,984	11,272,074
6,450,000	7,955,000	9,735,000	7,755,000	37,385,000
6,855,495	5,337,215	3,262,143	720,956	23,989,991
1,025,000	1,280,000	1,580,000	2,000,000	6,700,000
1,237,406	960,357	634,903	239,563	4,525,359
32,663,545	27,107,127	21,045,918	11,998,503	133,236,799
(12,983,545)	(8,702,127)	(4,675,918)	(1,008,503)	(44,506,799)
<u>\$19,680,000</u>	<u>\$18,405,000</u>	<u>\$16,370,000</u>	<u>\$10,990,000</u>	\$88,730,000
		Less Unamortized Accretion		(674,679)
				<u>\$88,055,321</u>

Midwestern State University

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Midwestern State University
Schedule 2D - Analysis of Funds Available for Debt Service
For the Year Ended August 31, 2011

ANNUAL FINANCIAL REPORT

Business Type Activities				
Description of Issue				
<u>Application of Funds</u>				
<u>General Obligation Bonds</u>				
	<u>Principal</u>	<u>Interest</u>		
Constitutional Appropriation				
Bond - Series 2004	<u>\$ 1,305,000</u>	<u>\$ 172,194</u>		
<u>Pledged and Other Sources and Related Expenditures for FY 2011</u>				
<u>Net Available for Debt Service</u>				
	Total Pledged and Other Sources	Operating Expenses/ Expenditures And Capital Outlay	<u>Debt Service</u>	
			<u>Principal</u>	<u>Interest</u>
<u>Revenue Financing System Revenue Bonds</u>				
Revenue Financing System				
Revenue Bonds: Series 2002			\$ 405,000	\$ 283,814
Building Revenue & Refunding				
Bonds: Series 2003			705,000	415,516
Revenue and Refunding Bonds:				
Series 2007		\$ 552,811	1,185,000	1,131,833
Revenue Financing System				
Revenue Bonds: Series 2008		47,986	985,000	1,674,520
Revenue Financing System				
Revenue Bonds: Series 2010	<u></u>	<u>2,475,814</u>	<u></u>	<u>333,751</u>
Total for all Revenue Financing				
System Revenue Bonds	<u>\$60,522,514</u>	<u>\$ 3,076,611</u>	<u>\$ 3,280,000</u>	<u>\$ 3,839,434</u>

Year
Ended
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Midwestern State University

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Midwestern State University
Schedule 2E - Defeased Bonds Outstanding
For the Fiscal Year Ended August 31, 2011

Business Type Activities

<u>Description of Issue</u>	<u>Year Refunded</u>	<u>Par Value Outstanding</u>
None for the Year Ended August 31, 2011		
Total	\$0	\$0

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Year
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(UNAUDITED)

Midwestern State University

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Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2011

Business Type Activities

Description of Issue	Category	Amount Extinguished or Refunded	Refunded Issued Par Value	Cash Flow Increase (Decrease)	*Economic Gain/(Loss)
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Revenue Bonds:

None for the Year Ended August 31, 2011

Total

\$0	\$0	\$0	\$0
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Midwestern State University

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

Cash in State Treasury	Unrestricted	Restricted	Current Year 2011	Prior Year 2010
General Revenue - Dedicated Fund 0264	\$ 4,702,214		\$ 4,702,214	\$ 4,708,531
Special Mineral Fund - Fund 0412	0		0	0
Total Cash in State Treasury (Stmnt of Net Assets)	<u>\$ 4,702,214</u>		<u>\$ 4,702,214</u>	<u>\$ 4,708,531</u>

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