



Midwestern State University

**Financial Report
(Unaudited)
For the Year Ended
August 31, 2017**

Midwestern State University

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

November 15, 2017

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

Ladies and Gentlemen,

We are pleased to submit the Annual Financial Report of Midwestern State University for the year ended August 31, 2017, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,


Suzanne Shipley
President



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

November 15, 2017

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

Dear Dr. Shipley,

Submitted herein is the Annual Financial Report of Midwestern State University for the fiscal year ended August 31, 2017.

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

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

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

Respectfully Submitted,

Chris Stovall
Controller

Approved:

Marilyn Fowlé, Vice President
Administration and Finance

Midwestern State University

ORGANIZATIONAL DATA
August 31, 2017

THE BOARD OF REGENTS

Term Expires May 31, 2018

Ms. Shayla Owens, Student Regent Wichita Falls

Term Expires February 25, 2018

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

Term Expires February 25, 2020

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

Term Expires February 25, 2022

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

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

PRESIDENT

Dr. Suzanne Shipley

UNIVERSITY FISCAL OFFICERS

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

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Midwestern State University

Management's Discussion & Analysis - Unaudited

The objective of Management's Discussion and Analysis is to help readers of Midwestern State University's financial statements better understand the financial position and operating activities of the university for the fiscal years ended August 31, 2017 and 2016.

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

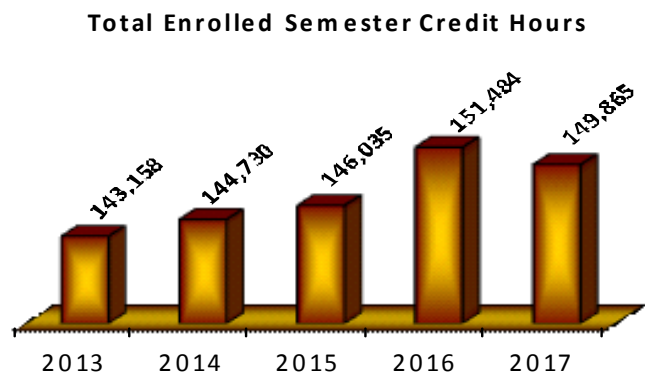
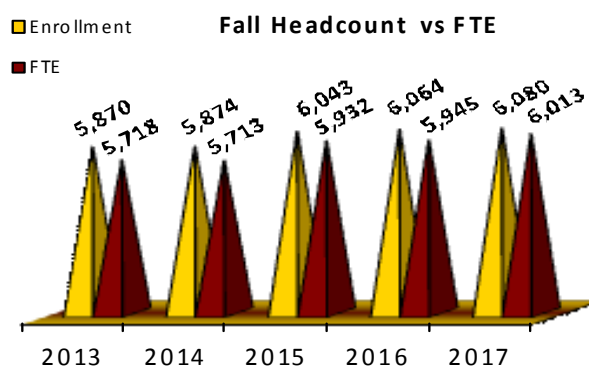
MSU has implemented an aggressive recruitment plan, including more concentrated efforts toward students from the DFW Metroplex, which has led to the increase in enrollment and semester credit hours. Further, the university has contracted for the construction of a campus in Flower Mound, part of the DFW Metroplex. The 30,000 square foot campus, a partnership with North Central Texas College, will be completed in January 2018. Despite not having a facility, the university enrolled students in the fall 2017 and produced some 550 credit hours. The presence of a campus in the fourth-largest metropolitan statistical area in the United States, and the demand already exhibited for the programs, will grow the university's enrollment for years to come.

In November 2017, the university's Board of Regents approved two items that will positively impact MSU's enrollment: (1) the creation of a Vice President for Enrollment Management, and (2) automatic admission to any student graduating in the top 25% of their high school class. The former will allow the university to hire an experienced enrollment manager with a singular focus on enrollment. The latter will allow well-qualified students that did not perform well on standardized tests to be admitted to MSU; it will also attract more applicants in this quartile, as it is a guaranteed admission. Performance in high school has been established as a better predictor of college performance than standardized tests alone.

MSU has recently engaged in several retention initiatives. Specifically, the university is now offering multiple themed learning communities for freshmen, with the goal of all entering students having the opportunity to participate in learning communities. The university will pilot an integrated academic seminar concept in the spring 2018; integrated in that the academic seminar material is woven into a core course with specialty trained faculty and peer mentors. Further, the university is implementing new interventions and pathways for the highest attrition majors: allied and pre-allied health programs.

An additional, often overlooked, component of retention is the manner in which students are transitioned to the university. The Office of Student Transition Services was created in the summer 2017, in order to reimagine the current orientation program, and to develop additional pre-enrollment programs for students. This office will collaborate with Academic Affairs to create bridge programs for underprepared or otherwise at risk students so that they have a good beginning to their college careers.

ANNUAL FINANCIAL REPORT

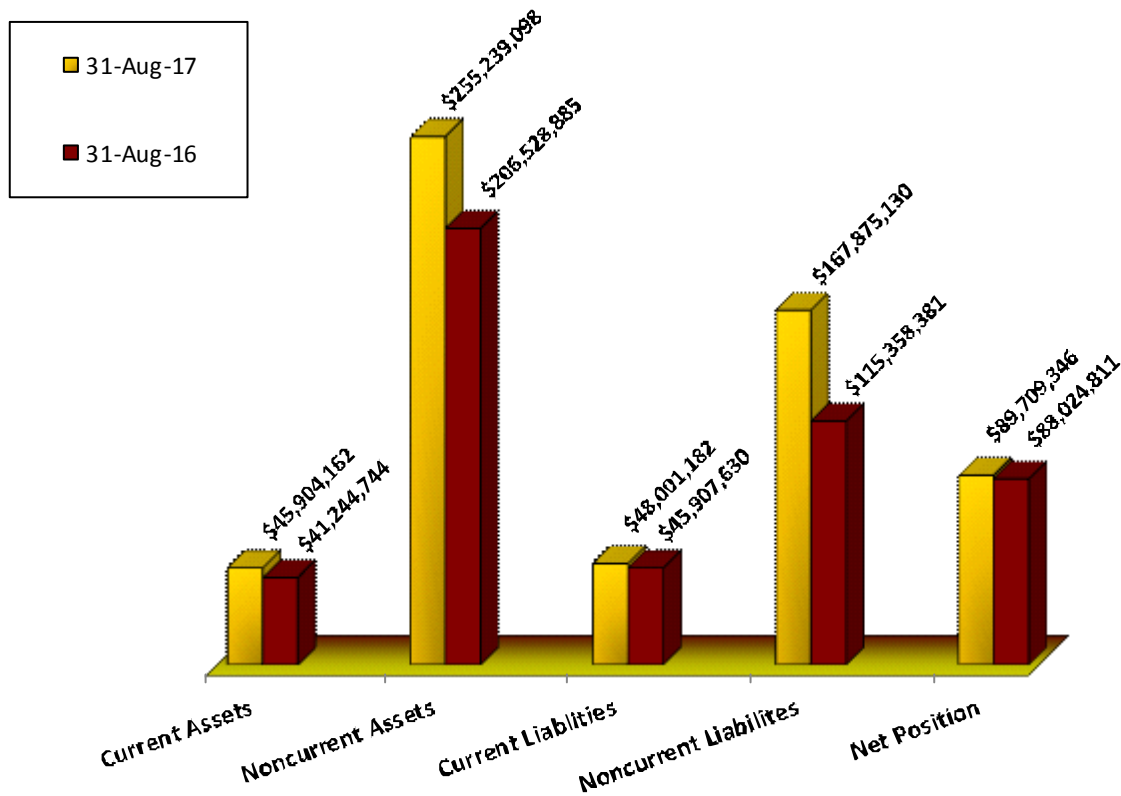


Year Ended 8-31-2017 (UNAUDITED)

Midwestern State University

Management's Discussion & Analysis - Unaudited

The Statement of Net Position



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

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

As the statement on the adjacent page shows, the university's net position increased a total of \$1,684,534.91, from \$88,024,810.68 in 2016 to \$89,709,345.59 in 2017. A few factors contributing to this increase include substantial market appreciation on investment assets, additional state appropriations, a significant increase in external grants and contracts, and an increase in auxiliary income primarily due to the opening of Legacy Hall, which contributed to additional students residing on campus and participating in the dining program.

Midwestern State University

Management's Discussion & Analysis - Unaudited

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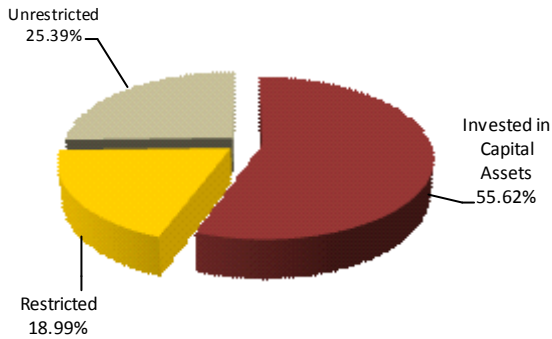
The Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 45,904,161.92	\$ 41,244,744.05
Noncurrent Assets:		
Capital Assets	149,579,335.68	147,917,359.70
Other	<u>105,659,762.25</u>	<u>58,611,525.51</u>
Total Assets	<u>301,143,259.85</u>	<u>247,773,629.26</u>
Deferred Outflows of Resources:		
Related to Pension Contributions	2,264,410.00	1,962,532.00
Unamortized Loss on Debt Refunding	<u>3,314,907.86</u>	<u>625,682.30</u>
Total Deferred Outflows of Resources	<u>5,579,317.86</u>	<u>2,588,214.30</u>
Total Assets and Deferred Outflows	<u>306,722,577.71</u>	<u>250,361,843.56</u>
Current Liabilities	48,001,181.86	45,907,630.33
Noncurrent Liabilities	<u>167,875,130.26</u>	<u>115,358,380.55</u>
Total Liabilities	<u>215,876,312.12</u>	<u>161,266,010.88</u>
Deferred Inflows of Resources:		
Related to Pension Contributions	<u>1,136,920.00</u>	<u>1,071,022.00</u>
Total Deferred Inflows of Resources	<u>1,136,920.00</u>	<u>1,071,022.00</u>
Total Liabilities and Deferred Inflows	<u>217,013,232.12</u>	<u>162,337,032.88</u>
Net Position:		
Invested in Capital Assets	45,540,385.81	45,998,234.47
<u>Restricted for:</u>		
Debt Retirement		
Nonexpendable	4,781,923.71	4,706,845.11
<u>Expendable:</u>		
Capital Projects	45,495.73	421,541.43
Restricted by Contributor	10,956,559.06	11,700,369.72
Unrestricted	<u>28,384,981.28</u>	<u>25,197,819.95</u>
Total Net Position	<u>89,709,345.59</u>	<u>88,024,810.68</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$306,722,577.71</u>	<u>\$250,361,843.56</u>

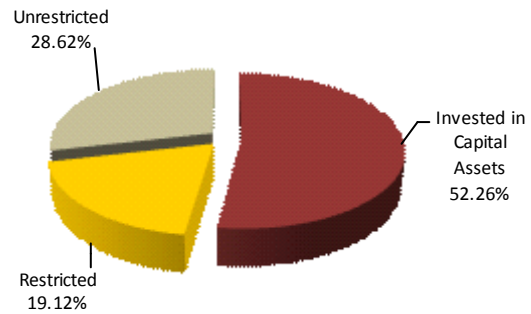
Midwestern State University Management's Discussion & Analysis - Unaudited

The following charts indicate changes in net position for the years ended August 31, 2017 and August 31, 2016.

Net Position - August 31, 2017

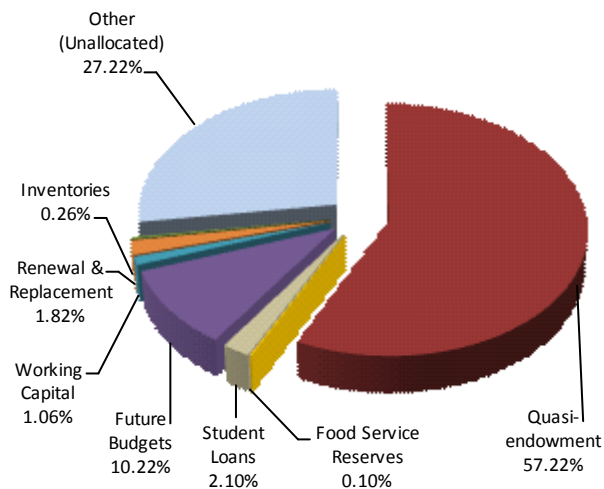


Net Position - August 31, 2016

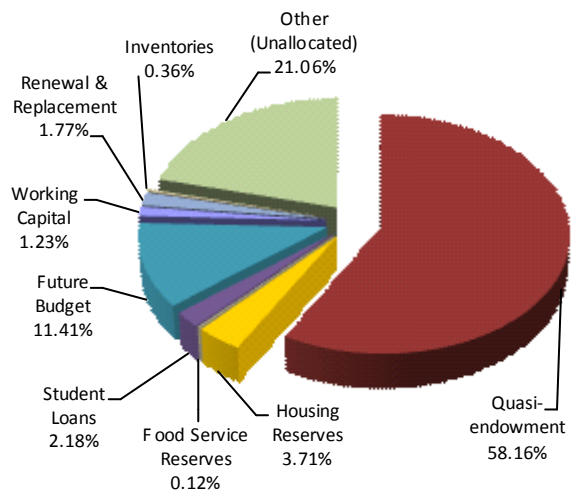


The university reports 25.39% of total net position as unrestricted for the year ended August 31, 2017 and 28.62% for the previous year. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how the funds have been allocated:

**Allocation of Unrestricted Net Position
August 31, 2017**



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



Midwestern State University

Management's Discussion & Analysis - Unaudited

The University's Results of Operations

The Statement of Revenues, Expenses, and Changes in Net Position reflects the university's operating results for the fiscal years ended August 31, 2017 and 2016. The comprehensive statements indicate the financial condition of the university and comparatively analyze in what direction the university is moving. The following statements reveal the operating results of the university as well as the non-operating revenues and expenditures. Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and food services. Certain federal, state, and private grants are considered operating revenues if they are not for capital purposes and are considered a contract for services. Annual state appropriations, while budgeted for operations, are considered as non-operating revenues according to generally accepted accounting principles. The statement below compares the operating results of the university for the years ended August 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Net Tuition and Fees	\$ 34,010,419.33	\$ 34,325,243.68
Grants and Contracts	5,947,242.60	5,965,480.02
Sales and Services of Educational Activities	1,482,742.95	1,466,963.62
Sales and Services of Auxiliary Enterprises	12,155,141.75	10,593,925.58
Other	<u>1,662,858.84</u>	<u>1,362,160.96</u>
Total Operating Revenue	55,258,405.47	53,713,773.86
Total Operating Expenses	<u>(102,050,751.82)</u>	<u>(98,632,482.71)</u>
Operating Loss	(46,792,346.35)	(44,918,708.85)
Non-Operating Revenues (Expenses):		
State Appropriations	18,522,721.00	18,462,224.00
Other State Appropriations	6,109,491.17	5,910,682.92
Federal Grants	9,523,650.09	8,529,342.03
Federal Pass-Through Grants	1,286.74	4,136.47
State Pass-Through Grants from Other Agencies	582.45	14,289.23
Gifts	4,300,824.13	5,585,562.86
Insurance Recovery in Subsequent Year	446,875.42	135,603.57
Other Non-Operating Revenues (Expenses)	1.46	22,179.39
Investment Income	2,287,642.37	2,029,915.15
Net Increase (Decrease) in Fair Value of Investments	2,875,327.88	701,226.06
Debt Issuance Costs	(751,559.69)	
Net Book Value of Capital Asset Disposals	(317,069.37)	(29,137.65)
Interest Expense on Capital Asset Financing	<u>(4,327,792.88)</u>	<u>(3,822,005.65)</u>
Total Non-Operating Revenue (Expense)	38,671,980.77	37,544,018.38
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(8,120,365.58)	(7,374,690.47)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	291,161.71	22,540.00
HEAF Appropriation	5,061,412.00	3,374,275.00
Additions to Endowments	84,271.95	250,444.48
Transfers In	1,797,324.86	3,253,727.10
Transfers Out	(977,144.29)	(485,046.53)
Legislative Transfers In	4,625,780.00	114,769.00
Legislative Appropriations Lapsed	<u>(1,077,905.74)</u>	<u>(29,339.91)</u>
Increase (Decrease) in Net Position	1,684,534.91	(873,321.33)
Net Position, Beginning of Year	88,024,810.68	88,898,132.01
Net Position, End of Year	<u>\$89,709,345.59</u>	<u>\$88,024,810.68</u>

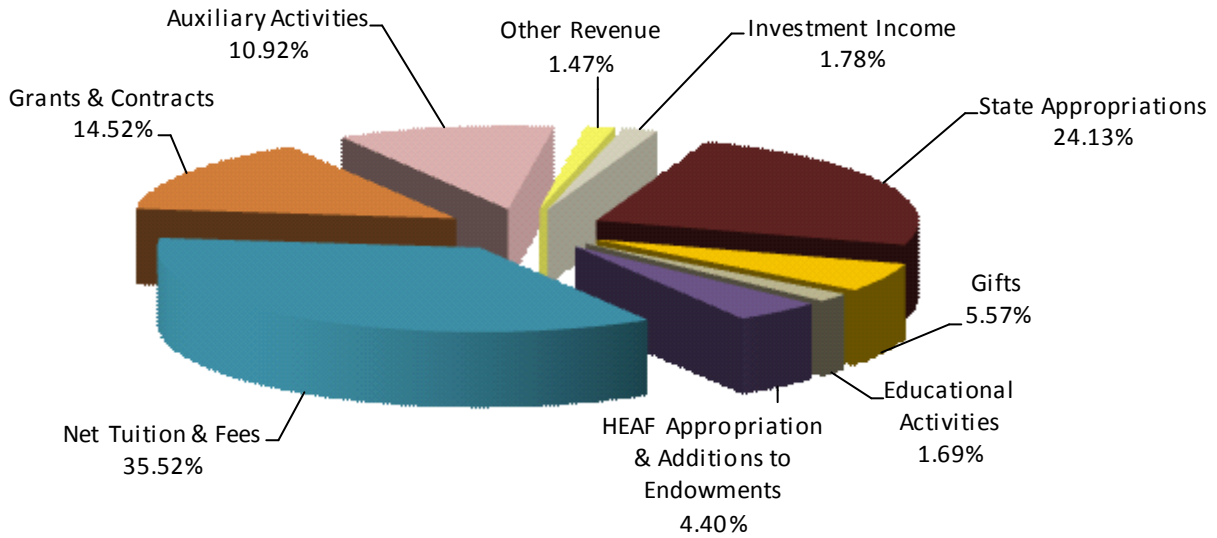
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Midwestern State University Management's Discussion & Analysis - Unaudited

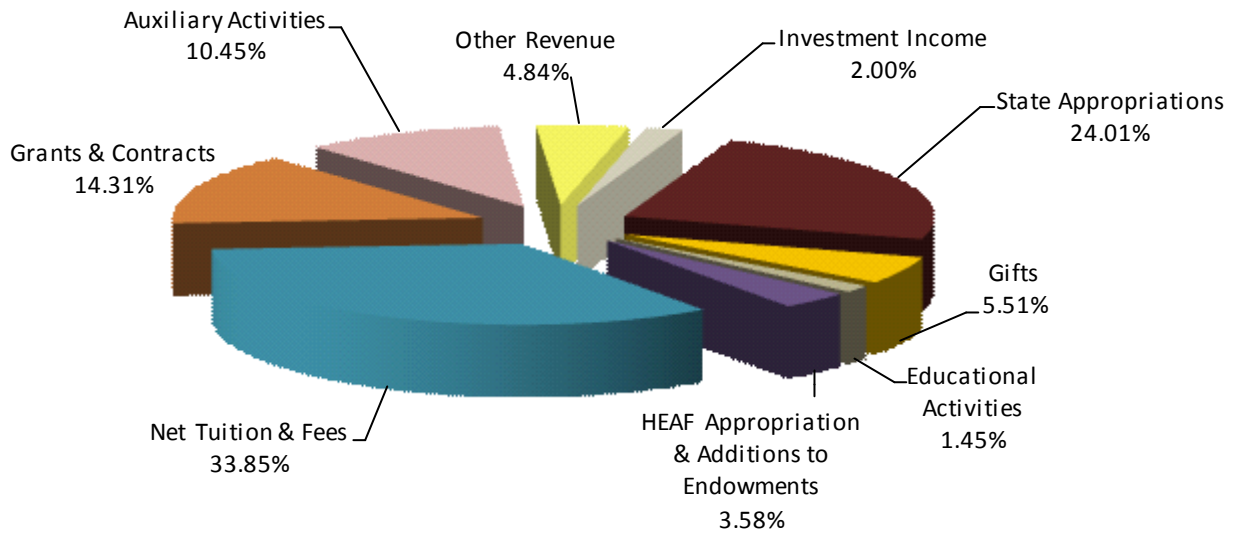
This chart identifies the components of total revenue for the year ended August 31, 2017.

Total Revenue - August 31, 2017



This chart reflects the same information for the year ended August 31, 2016.

Total Revenue - August 31, 2016



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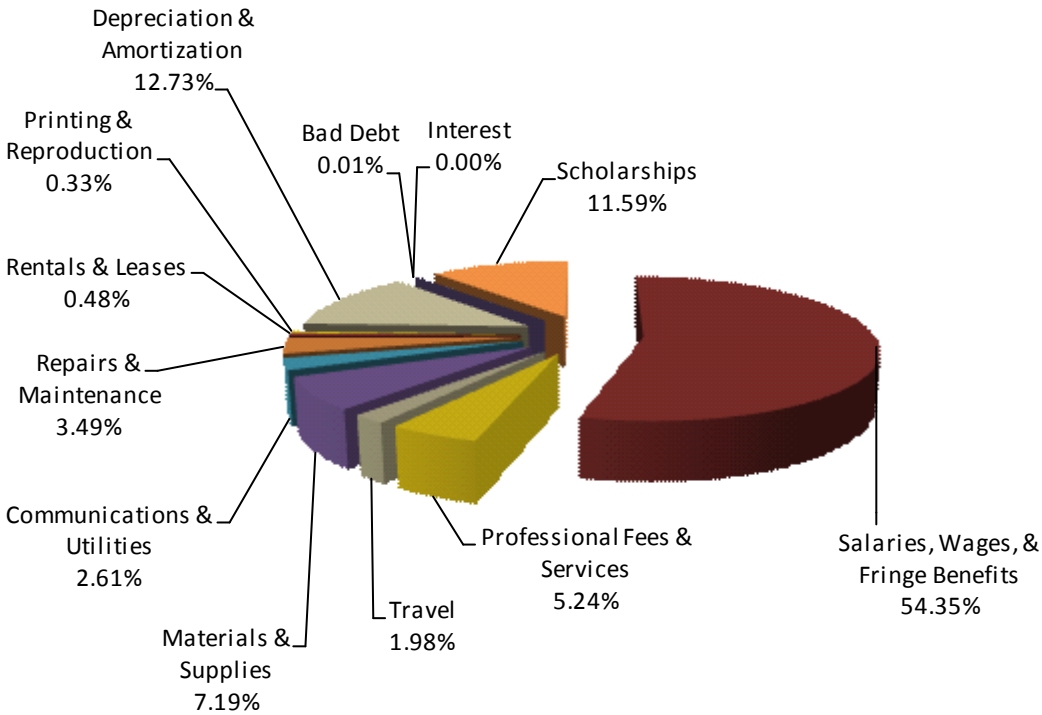
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Midwestern State University

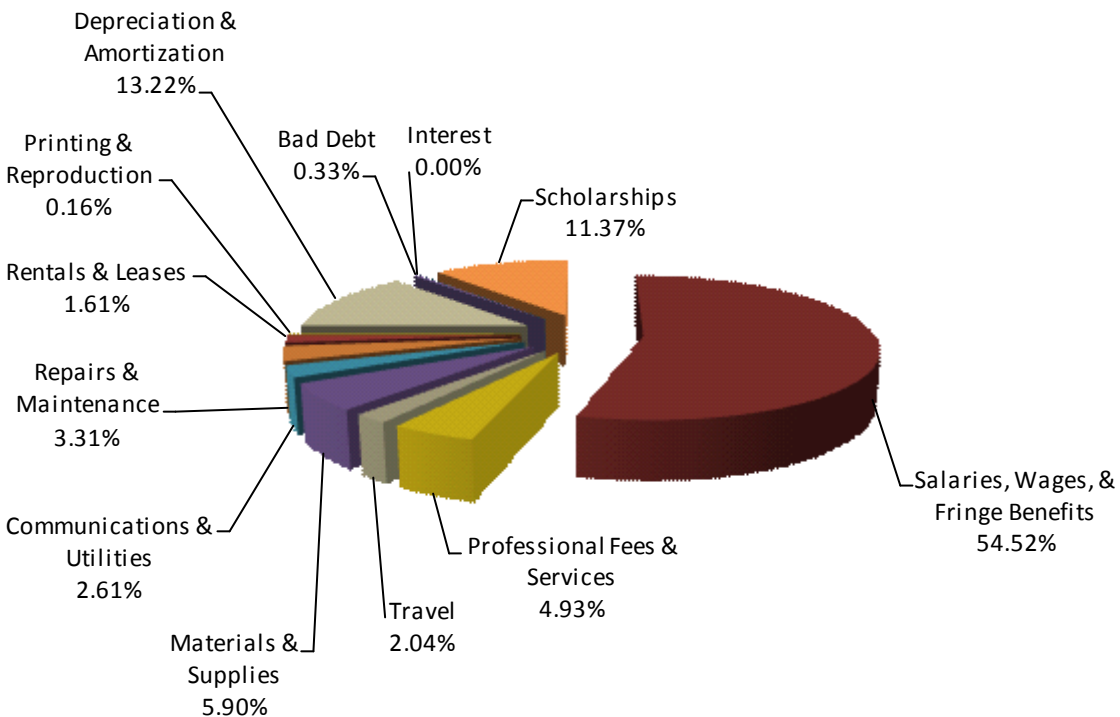
Management's Discussion & Analysis - Unaudited

Total operating expenses for fiscal years 2017 and 2016 were \$102,050,751.82 and \$98,632,482.71, respectively. The following charts compare the fiscal year 2017 distribution of operating expenses to those in fiscal year 2016.

Total Operating Expenses - August 31, 2017



Total Operating Expenses - August 31, 2016



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>2017</u>	<u>2016</u>
Cash provided (used) by:		
Operating activities	\$(35,443,085.52)	\$(29,899,707.74)
Noncapital financing activities	40,552,939.92	38,079,601.49
Capital and related financing activities	42,367,345.79	(37,620,065.57)
Investing activities	<u>(47,627,807.49)</u>	<u>29,316,815.18</u>
Net increase (decrease) in cash	<u>(150,607.30)</u>	<u>(123,356.64)</u>
Cash – Beginning of year	<u>8,118,104.98</u>	<u>8,241,461.62</u>
Cash – End of year	<u>\$ 7,967,497.68</u>	<u>\$ 8,118,104.98</u>

There was a net decrease in cash of \$150,607.30.

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 \$34.5 million, grants accounted for \$6.3 million, and auxiliary enterprises, including housing and dining, accounted for \$13.47 million.

State appropriations in the amount of \$23.55 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 \$3.9 million, additions to endowments in the amount of \$84 thousand, and \$9.5 million in Federal non-operating grants.

Payments for the additions of capital assets totaled \$10.3 million and included the completion of the Mass Communications addition to the Fain Fine Arts Center and for the design phase of the new Gunn College of Health Sciences and Human Services.

Proceeds from sales and maturities of investments within the investing section of the cash flow statement included \$9 million in expended bond proceeds to complete both the construction of Legacy Hall and renovations to the Fain Fine Arts Center to expand the Mass Communications department. Tuition Revenue Bond (TRB) proceeds in the amount of \$58.4 million were invested in a flexible repurchase agreement with Bayerische Landesbank (BLB). Repurchases totaled \$2.7 million during the year and were used for the design of the new Gunn College of Health Sciences and Human Services building as well as renovations to several buildings across campus to address Fire Marshal and accessibility concerns.

Midwestern State University

Management's Discussion & Analysis - Unaudited

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2017, the university had \$149.5 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$164.97 million. Depreciation and amortization charges totaled \$12.9 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 and Amortization

	<u>2017</u>	<u>2016</u>
Land and Land Improvements	\$ 5,946,107.70	\$ 5,946,107.70
Construction in Progress	4,992,962.50	2,529,429.48
Buildings and Building Improvements	234,498,048.31	225,296,633.92
Infrastructure	13,351,147.45	12,823,874.86
Facilities Improvements	13,732,746.31	12,836,917.09
Furniture and Equipment	14,465,988.97	13,937,975.53
Vehicles	1,881,543.98	1,955,863.94
Computer Software	10,730,009.48	10,730,009.48
Other Capital Assets	14,955,588.62	15,128,167.40
Total	<u>\$314,554,143.32</u>	<u>\$301,184,979.40</u>

Additions to assets of \$14.9 million during fiscal year 2017 included: renovations to the Fain Fine Arts Center to expand the Mass Communications program, the beginnings of the planning phase of the new Gunn College of Health Sciences and Human Services building, renovations across campus (starting with Bolin Hall) to comply with the specifications established by the Fire Marshal and the Americans with Disabilities Act (ADA), and construction of the new intramural basketball courts.

The construction in progress at the end of the year includes: continuing the planning phase of the new Gunn College of Health Sciences and Human Services building, continuation of renovations across campus to comply with the specifications established by the Fire Marshal and ADA, beginnings of renovations to Moffett Library and Bridwell Hall, and parking and landscaping for the new Gunn College of Health Sciences and Human Services building.

Further financial information about the university's capital assets is presented in Note 2 of the notes to the financial statements on page 28.

Debt

At year-end, the university had \$221.9 million in outstanding debt. Outstanding debt for the year ended August 31, 2016 was \$163.8 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2017 compared with August 31, 2016.

	<u>2017</u>	<u>2016</u>
Revenue Bonds	\$148,600,000.00	\$103,923,362.76
Accrued long term interest payable on bonds	73,282,051.55	59,886,353.98
Total	<u>\$221,882,051.55</u>	<u>\$163,809,716.74</u>

Debt repayments made during the year included principal in the amount of \$6,415,000.00 and interest in the amount of \$4,631,830.89.

Moody's Investor Services has assigned an A1 bond rating to the university's bonds, and Fitch has assigned an AA- rating. More detailed bond information is disclosed in Schedule 2A, 2B, 2C, 2D, 2E and 2F on pages 57-64.

Midwestern State University

Management's Discussion & Analysis - Unaudited

Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU), like universities throughout the United States, faces future challenges, as well as important opportunities. In May 2017, the MSU Board of Regents approved a strategic plan to provide a framework to address these challenges with an eye to the long-term prosperity of the university.

INTERNAL STRENGTHS

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

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

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

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

EXTERNAL ENVIRONMENT

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

LOCAL AND STATE DEMOGRAPHICS

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

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

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

PREPARATION OF STUDENTS

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

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

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Midwestern State University

Management's Discussion & Analysis - Unaudited

TECHNOLOGY

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

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

Facilities demand is like technological demand for interactive, up-to-date spaces.

FINANCIAL

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

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

ENROLLMENT

MSU realized increased enrollment of .2%, or 16 students, for the fall 2017 term. Of this, the first-time full-time (FTFT) cohort was 814, and the entering transfer student cohort was 630. In addition, Graduate School enrollment was 750 students.

The incoming FTFT cohort is largely residential in nature with 75.4% of students originating in areas other than Wichita County. The proportion of the class includes 40.7% from DFW, which is a proportional increase of 2.3%; 3.1% from Houston; 3.4% from Austin; and 24.6% from Wichita County. A new 500-bed residence hall opened in the fall 2016 term, which should address housing needs until a projected housing deficit returns in fall 2019. Housing has witnessed a 143% increase in capacity since 2002.

In addition to domestic students, international student enrollment has increased and now represents 9.4% of overall enrollment. The incoming international student class is comprised of 133 students from 23 different countries. Overall, there are 577 international students from 53 different countries attending MSU.

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Ended
8-31-2017
(UNAUDITED)

Midwestern State University

Unaudited

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

2017

2016

ASSETS AND DEFERRED OUTFLOWS

Current Assets:

Cash and Cash Equivalents:

Cash on Hand	\$ 17,600.00	\$ 17,200.00
Cash in Bank	282,063.36	897,441.31
Cash in State Treasury	2,896,567.01	2,382,729.58
Short-term Investments	12,822,554.32	8,765,352.49
State Appropriations	1,949,448.10	1,945,883.86

Restricted:

Cash and Cash Equivalents:		
Cash in Bank	4,771,267.31	4,820,734.09
Notes and Loans Receivable		

Net Receivables:

Student Receivables	10,624,798.71	9,979,893.36
Federal Receivables	811,942.63	163,865.50
Other Intergovernmental Receivables	449,274.65	523,410.67
Interest and Dividends	45,222.82	
Other Receivables	1,280,579.87	1,541,515.01
Pledges Receivable	398,433.90	392,543.81
Consumable Inventories	189,511.15	197,412.41
Prepaid Expenses	9,364,898.09	9,616,761.96

Total Current Assets

45,904,161.92 41,244,744.05

Noncurrent Assets:

Restricted:

Short-term Investments	55,585,330.92	8,359,671.19
Investments	2,742,442.87	5,593,238.45
Other Long-term Investments	45,350,932.72	41,570,206.70
Pledges Receivable	1,981,055.74	2,281,450.42
Other Noncurrent Assets		806,958.75

Capital Assets, Non-depreciable:

Land and Land Improvements	\$ 5,946,107.70	\$ 5,946,107.70	
Construction in Progress	4,992,962.50	2,529,429.48	
Other Capital Assets	3,533,965.30	3,533,965.30	12,009,502.48

Capital Assets, Depreciable:

Buildings & Building Improvements	234,498,048.31	225,296,633.92	
Less Accumulated Depreciation	(118,369,974.29)	(109,215,314.87)	116,081,319.05
Infrastructure	13,351,147.45	12,823,874.86	
Less Accumulated Depreciation	(7,248,827.43)	(6,774,292.60)	6,049,582.26
Facilities and Other Improvements	13,732,746.31	12,836,917.09	
Less Accumulated Depreciation	(5,566,519.98)	(5,022,883.91)	7,814,033.18
Furniture and Equipment	14,465,988.97	13,937,975.53	
Less Accumulated Depreciation	(11,878,464.18)	(11,787,786.16)	2,150,189.37
Vehicles	1,881,543.98	1,955,863.94	
Less Accumulated Depreciation	(1,227,751.79)	(1,242,600.55)	713,263.39
Other Capital Assets	11,421,623.32	11,594,202.10	
Less Accumulated Depreciation	(10,147,217.91)	(10,188,847.47)	1,405,354.63

Intangible Capital Assets, Amortizable:

Computer Software	10,730,009.48	10,730,009.48	
Less Accumulated Amortization	(10,536,052.06)	193,957.42	1,694,115.34

Total Noncurrent Assets

255,239,097.93 206,528,885.21

Total Assets

\$301,143,259.85 \$247,773,629.26

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8-31-2017
(UNAUDITED)

Deferred Outflows of Resources:	<u>2017</u>	<u>2016</u>
Deferred Outflows-Related to Pension Contributions	\$ 2,264,410.00	\$ 1,962,532.00
Deferred Outflows-Unamortized Loss on Debt Refunding	3,314,907.86	625,682.30
Total Deferred Outflows of Resources	<u>5,579,317.86</u>	<u>2,588,214.30</u>
Total Assets and Deferred Outflows	<u>306,722,577.71</u>	<u>250,361,843.56</u>

LIABILITIES AND DEFERRED INFLOWS

Current Liabilities:		
Accounts Payable	3,625,227.43	6,291,778.54
Accrued Payroll Payable	4,457,023.82	4,707,142.35
Employees' Compensable Leave	250,166.23	199,373.81
Room/Property Deposits	63,955.26	64,220.64
Unearned Revenues	32,190,318.96	29,046,309.82
Retainages and Contracts	176,138.57	1,545,059.30
Funds Held for Others	149,629.91	151,162.97
Capital Lease		33,822.50
Due to Other Agencies (SECO Loan)	277,683.04	272,198.10
Unamortized Premium on 2008 Rev Bonds		61,274.39
Unamortized Premium on 2015A Rev Bonds	95,151.81	95,151.81
Unamortized Premium on 2016A Rev Bonds	585,886.83	
Revenue Bonds Payable	6,130,000.00	3,440,136.10
Total Current Liabilities	<u>48,001,181.86</u>	<u>45,907,630.33</u>
Noncurrent Liabilities:		
Employees' Compensable Leave	1,481,481.81	1,510,308.41
Net Pension Liability	10,004,773.00	9,618,302.00
Room/Property Deposits	191,865.78	192,661.90
Due to Other Agencies (SECO Loan)	707,099.81	984,782.85
Unamortized Premium on 2015A Rev Bonds	2,473,946.92	2,569,098.73
Unamortized Premium on 2016A Rev Bonds	10,545,962.94	
Revenue Bonds Payable	142,470,000.00	100,483,226.66
Total Noncurrent Liabilities	<u>167,875,130.26</u>	<u>115,358,380.55</u>
Total Liabilities	<u>215,876,312.12</u>	<u>161,266,010.88</u>
Deferred Inflows of Resources:		
Deferred Inflows-Related to Pension Contributions	1,136,920.00	1,071,022.00
Total Deferred Inflows of Resources	<u>1,136,920.00</u>	<u>1,071,022.00</u>
Total Liabilities and Deferred Inflows	<u>217,013,232.12</u>	<u>162,337,032.88</u>

NET POSITION

Net Investment in Capital Assets	45,540,385.81	45,998,234.47
Restricted for:		
Debt Retirement		
Nonexpendable	4,781,923.71	4,706,845.11
<u>Expendable:</u>		
Capital Projects	45,495.73	421,541.43
Restricted by Contributor	10,956,559.06	11,700,369.72
Unrestricted	28,384,981.28	25,197,819.95
Total Net Position	<u>89,709,345.59</u>	<u>88,024,810.68</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$306,722,577.71</u>	<u>\$250,361,843.56</u>

Midwestern State University

Unaudited

Midwestern State University

Exhibit II

Comparative Statement of Revenues, Expenses, and Changes in Net Position For the Years Ended August 31

Operating Revenues:

	<u>2017</u>	<u>2016</u>
Student Tuition and Fees (net of scholarship allowances of \$14,117,781.14 and \$12,963,800.63, respectively)	\$ 34,010,419.33	\$ 34,325,243.68
Federal Grants	801,496.93	712,557.07
Federal Pass-Through Grants	135,117.65	106,993.93
State Pass-Through Grants from Other State Agencies	4,238,491.26	4,512,922.51
Other Grants and Contracts	772,136.76	633,006.51
Sales and Services of Educational Activities	1,482,742.95	1,466,963.62
Sales and Services of Auxiliary Enterprises	12,155,141.75	10,593,925.58
Other Operating Revenue	1,662,858.84	1,362,160.96
Total Operating Revenues	<u>55,258,405.47</u>	<u>53,713,773.86</u>

Operating Expenses:

Salaries and Wages	41,601,290.84	40,741,296.38
Payroll Related Costs	13,870,020.15	13,037,057.33
Professional Fees and Services	5,347,840.23	4,867,293.16
Travel	2,027,391.89	2,010,141.52
Materials and Supplies	7,336,248.30	5,821,426.14
Communications and Utilities	2,661,128.68	2,572,408.10
Repairs and Maintenance	3,559,201.91	3,264,099.19
Rentals and Leases	490,171.40	1,583,862.82
Printing and Reproduction	337,049.30	157,379.18
Depreciation and Amortization	12,988,811.62	13,036,762.29
Bad Debt Expense	5,741.99	328,175.88
Interest	1,124.31	2,766.08
Scholarships	11,824,731.20	11,209,814.64
Total Operating Expenses	<u>102,050,751.82</u>	<u>98,632,482.71</u>

Operating Loss

(46,792,346.35) (44,918,708.85)

Non-Operating Revenues (Expenses):

State Appropriations	18,522,721.00	18,462,224.00
Additional State Appropriations	6,109,491.17	5,910,682.92
Federal Grants	9,523,650.09	8,529,342.03
Federal Pass-Through Grants	1,286.74	4,136.47
State Pass-Through Grants from Other State Agencies	582.45	14,289.23
Gifts	4,300,824.13	5,585,562.86
Insurance Recovery in Subsequent Year	446,875.42	135,603.57
Other Non-Operating Revenues (Expenses)	1.46	22,179.39
Investment Income	2,287,642.37	2,029,915.15
Net Increase (Decrease) in Fair Value of Investments	2,875,327.88	701,226.06
Debt Issuance Costs	(751,559.69)	
Net Book Value of Capital Asset Disposals	(317,069.37)	(29,137.65)
Interest Expense on Capital Asset Financing	(4,327,792.88)	(3,822,005.65)
Total Non-Operating Revenues (Expenses)	<u>38,671,980.77</u>	<u>37,544,018.38</u>

Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items

(8,120,365.58) (7,374,690.47)

	<u>2017</u>	<u>2016</u>
Capital Contributions	\$ 291,161.71	\$ 22,540.00
HEAF Appropriation	5,061,412.00	3,374,275.00
Additions to Endowments	84,271.95	250,444.48
Transfers In	1,797,324.86	3,253,727.10
Transfers Out	(977,144.29)	(485,046.53)
Legislative Transfers In	4,625,780.00	114,769.00
Legislative Appropriations Lapsed	<u>(1,077,905.74)</u>	<u>(29,339.91)</u>
Increase (Decrease) in Net Position	1,684,534.91	(873,321.33)
Net Position, Beginning of Year	88,024,810.68	88,898,132.01
Net Position, End of Year	<u>\$89,709,345.59</u>	<u>\$88,024,810.68</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, 2017

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	\$ 41,601,290.84	\$22,337,982.40	\$ 498,574.17	\$361,880.02	\$3,341,360.71
Payroll Related Costs	13,870,020.15	7,312,750.06	62,245.55	88,694.16	1,106,678.41
Professional Fees and Services	5,347,840.23	812,990.69	30,429.55	71,355.33	1,250,609.40
Travel	2,027,391.89	752,356.11	117,964.50	8,542.98	330,430.72
Materials and Supplies	7,336,248.30	641,699.59	160,255.25	118,520.20	660,487.34
Communications and Utilities	2,661,128.68	90,540.70	650.17	1,906.15	53,724.28
Repairs and Maintenance	3,559,201.91	153,172.96	4,252.33	37,504.54	878,662.69
Rentals and Leases	490,171.40	79,353.16	1,097.12	90,359.82	45,213.43
Printing and Reproduction	337,049.30	43,113.27	2,647.10	9,866.51	116,212.62
Depreciation and Amortization	12,988,811.62				
Bad Debt Expense	5,741.99				
Interest	1,124.31	74.27			22.58
Scholarships	11,824,731.20				
Total Operating Expenses	\$102,050,751.82	\$32,224,033.21	\$ 878,115.74	\$788,629.71	\$7,783,402.18

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2016

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

Year
Ended
8-31-2017
(UNAUDITED)

<u>Student Services</u>	<u>Institutional Support</u>	<u>Operation & Maintenance</u>	<u>Scholarships</u>	<u>Auxiliary Enterprises</u>	<u>Depreciation</u>
\$ 6,302,327.57	\$ 4,423,414.95	\$ 3,178,510.45		\$ 1,157,240.57	
2,001,389.75	1,510,162.14	1,505,028.71		283,071.37	
1,807,205.57	35,461.08	169,283.73		1,170,504.88	
672,685.22	119,932.57	3,804.90		21,674.89	
988,546.90	914,248.09	843,016.29		3,009,474.64	
358,276.34	(166,567.40)	1,243,611.11		1,078,987.33	
175,899.91	798,536.87	227,382.68		1,283,789.93	
205,073.17	48,988.81	30,996.60		(10,910.71)	
222,354.41	(64,195.09)	1,325.43		5,725.05	
					\$12,988,811.62
5,741.99					
86.40	120.69	715.24		105.13	
			\$ 11,824,731.20		
\$12,739,587.23	\$ 7,620,102.71	\$ 7,203,675.14	\$ 11,824,731.20	\$ 7,999,663.08	

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

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

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	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Proceeds Received from Students	\$ 34,505,301.79	\$ 33,105,190.16
Proceeds Received for Sponsored Programs	6,316,433.79	5,914,612.58
Proceeds Received from Auxiliary Enterprises	13,471,423.93	11,407,271.01
Proceeds From Loan Programs	1,874.52	50,578.85
Proceeds From Other Revenues	3,145,601.79	2,829,124.58
Payments to Employees	(55,549,528.70)	(53,505,509.90)
Payments to Suppliers for Goods and Services	(25,757,606.44)	(18,408,616.16)
Payments for Scholarships	(11,575,461.89)	(11,289,592.78)
Payments for Interest	(1,124.31)	(2,766.08)
Net Cash Provided (Used) by Operating Activities	<u>(35,443,085.52)</u>	<u>(29,899,707.74)</u>
Cash Flows from Noncapital Financing Activities:		
Proceeds from State Appropriations	23,550,742.19	24,947,504.24
Proceeds from Endowment Gifts	84,271.95	250,444.48
Proceeds from Gifts	3,898,476.60	4,481,390.88
Proceeds (Payments) from Other Noncapital Financing Activities	(304,682.81)	135,606.69
Proceeds from Non-operating Grants	9,525,519.28	8,547,767.73
Transfers in from Other Funds	4,775,757.00	201,934.00
Transfers out to Other Funds	(977,144.29)	(485,046.53)
Net Cash Provided by Noncapital Financing Activities	<u>40,552,939.92</u>	<u>38,079,601.49</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Debt Issuance	59,151,559.69	
Proceeds from Capital Gifts	279,683.00	12,500.00
Proceeds from HEAF Appropriations	5,061,412.00	3,374,275.00
Proceeds From Interest on Capital Investments	530,888.40	123,215.33
Payments for Additions to Capital Assets	(10,346,088.26)	(33,753,661.63)
Principal Paid on Capital Related Debt	(6,768,461.62)	(4,488,676.96)
Interest Paid on Capital Related Debt	(5,541,647.42)	(2,887,717.31)
Net Cash Provided by Capital and Related Financing Activities	<u>42,367,345.79</u>	<u>(37,620,065.57)</u>
Cash Flows from Investing Activities:		
Proceeds from Interest and Investment Income	3,018,774.73	3,096,258.74
Proceeds from Sales and Maturities of Investments	42,093,610.07	85,143,385.28
Payments to Acquire Investments	(92,740,192.29)	(58,922,828.84)
Net Cash Provided (Used) by Investing Activities	<u>(47,627,807.49)</u>	<u>29,316,815.18</u>
Increase (Decrease) in Cash and Cash Equivalents	(150,607.30)	(123,356.64)
Cash and Cash Equivalents, September 1, 2016	<u>8,118,104.98</u>	<u>8,241,461.62</u>
Cash and Cash Equivalents, August 31, 2017	<u>\$ 7,967,497.68</u>	<u>\$ 8,118,104.98</u>

Year
Ended
8-31-2017
(UNAUDITED)

	<u>2017</u>	<u>2016</u>
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Position:		
Current Assets:		
Cash On Hand	\$ 17,600.00	\$ 17,200.00
Cash In Bank	282,063.36	897,441.31
Cash in State Treasury	2,896,567.01	2,382,729.58
Restricted:		
Cash In Bank	4,771,267.31	4,820,734.09
	<u>\$ 7,967,497.68</u>	<u>\$ 8,118,104.98</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$(46,792,346.35)	\$(44,918,708.85)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	12,988,811.62	13,036,762.29
Bad Debt Expense	5,741.99	328,175.88
Net Pension Expenses Reported in Payroll Related Costs	150,491.00	114,061.79
Donations of Non-Capital Assets	696,852.12	915,536.16
(Increase) Decrease in Receivables	(961,778.79)	(2,275,955.26)
(Increase) Decrease in Inventories	7,901.26	25,710.84
(Increase) Decrease in Prepaid Expenses	251,863.87	(98,862.13)
(Increase) Decrease in Loans		10,217.29
Increase (Decrease) in Payables	(4,955,064.14)	1,090,446.07
Increase (Decrease) in Unearned Revenues	3,144,009.14	1,858,741.29
Increase (Decrease) in Other Liabilities	20,432.76	14,166.89
Total Adjustments	<u>11,349,260.83</u>	<u>15,019,001.11</u>
Net Cash Used by Operating Activities	<u>\$(35,443,085.52)</u>	<u>\$(29,899,707.74)</u>
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	\$ 2,875,327.88	\$ 701,226.06
(Loss) Gain on Asset Disposals	(317,069.37)	(29,137.65)
Nonmonetary Gifts, Including Capital Assets	11,478.71	10,040.00
Refunding of Long Term Debt	33,035,000.00	
Transfer in on Master Lease Purchase Program	1,647,347.86	3,166,562.10

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 1: Summary of Significant Accounting Policies

Introduction

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

Basis of Presentation

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

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

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

Basis of Accounting—Proprietary Fund Accounting

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

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

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

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Notes To The Financial Statements - Unaudited

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

Net Position

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

Restricted Net Position

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

Unrestricted Net Position

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

Cash and Cash Equivalents

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

Investments

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

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

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

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 1: Continued

Restricted Assets

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

Inventories

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

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets (the capitalization thresholds used by the university to determine whether an asset should be expensed or capitalized are listed below by type of capital asset), net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Type of Capital Asset	Capitalization Threshold	Range of Useful Life (in months)
Land and Land Improvements	\$0	0
Construction in Progress	\$0	0
Buildings and Building Improvements	\$100,000	120-360
Infrastructure, Depreciable	\$500,000	120-540
Infrastructure, Non-Depreciable	\$0	0
Facilities and Other Improvements	\$100,000	120-720
Furniture and Equipment	\$5,000	36-180
Vehicles, Boats, and Aircraft	\$5,000	60-120
Other Capital Assets	Various	0-180
Computer Software	Various	0-72
Other Intangible Capital Assets	\$100,000	0-120

Unearned Revenue

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

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Notes To The Financial Statements - Unaudited

Deferred Outflows and Inflows of Resources

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

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, resulted in deferred outflows and deferred inflows of resources related to the new pension reporting requirements, as detailed in Note 28. For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows. The gain or loss is then amortized, using the straight line method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, on the Statement of Revenues, Expenses, and Changes in Net Position as a component of interest expense. Additional information is provided in Note 28 on page 51.

Other Significant Accounting Policies

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

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Notes To The Financial Statements - Unaudited

NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2017, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/16	Adjustment	Reclassifications Completed CIP
<u>Non-depreciable or Non-Amortizable Assets:</u>			
Land and Land Improvements	\$ 5,946,107.70		
Construction in Progress	2,529,429.48		\$ (6,622,074.65)
Other Tangible Capital Assets	3,533,965.30		
Total Non-depreciable Assets or Non-Amortizable Assets:	<u>12,009,502.48</u>	<u>\$0.00</u>	<u>(6,622,074.65)</u>
<u>Depreciable Assets:</u>			
Buildings and Building Improvements	225,296,633.92		6,377,660.58
Infrastructure	12,823,874.86		
Facilities and Other Improvements	12,836,917.09		244,414.07
Furniture and Equipment	13,937,975.53		
Vehicles	1,955,863.94		
Other Capital Assets	11,594,202.10		
Total Depreciable Assets:	<u>278,445,467.44</u>	<u>0.00</u>	<u>6,622,074.65</u>
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(109,215,314.87)		
Infrastructure	(6,774,292.60)		
Facilities and Other Improvements	(5,022,883.91)		
Furniture and Equipment	(11,787,786.16)		
Vehicles	(1,242,600.55)		
Other Capital Assets	(10,188,847.47)		
Total Accumulated Depreciation	<u>(144,231,725.56)</u>	<u>0.00</u>	<u>0.00</u>
Depreciable Assets, Net	<u>134,213,741.88</u>	<u>0.00</u>	<u>6,622,074.65</u>
<u>Amortizable Assets - Intangible</u>			
Computer Software	10,730,009.48		
Total Amortizable Assets - Intangible	10,730,009.48	0.00	0.00
Less Accumulated Amortization for:			
Computer Software	(9,035,894.14)		
Total Accumulated Amortization	<u>(9,035,894.14)</u>	<u>0.00</u>	<u>0.00</u>
Amortizable Assets - Intangible, Net	<u>1,694,115.34</u>	<u>0.00</u>	<u>0.00</u>
Business-Type Activities Capital Assets, Net	<u>\$ 147,917,359.70</u>	<u>\$0.00</u>	<u>\$ 0.00</u>

Additions	Deletions	Balance 08/31/17
		\$ 5,946,107.70
\$ 9,085,607.67		4,992,962.50
		3,533,965.30
<u>9,085,607.67</u>		<u>14,473,035.50</u>
3,452,076.85	\$ (628,323.04)	234,498,048.31
527,272.59		13,351,147.45
651,415.15		13,732,746.31
1,019,351.61	(491,338.17)	14,465,988.97
106,688.00	(181,007.96)	1,881,543.98
125,445.10	(298,023.88)	11,421,623.32
<u>5,882,249.30</u>	<u>(1,598,693.05)</u>	<u>289,351,098.34</u>
(9,468,107.90)	313,448.48	(118,369,974.29)
(474,534.83)		(7,248,827.43)
(543,636.07)		(5,566,519.98)
(581,475.17)	490,797.15	(11,878,464.18)
(164,505.41)	179,354.17	(1,227,751.79)
(256,394.32)	298,023.88	(10,147,217.91)
<u>(11,488,653.70)</u>	<u>1,281,623.68</u>	<u>(154,438,755.58)</u>
<u>(5,606,404.40)</u>	<u>(317,069.37)</u>	<u>134,912,342.76</u>
		10,730,009.48
0.00	0.00	10,730,009.48
(1,500,157.92)		(10,536,052.06)
(1,500,157.92)	0.00	(10,536,052.06)
(1,500,157.92)	0.00	193,957.42
<u>\$ 1,979,045.35</u>	<u>\$ (317,069.37)</u>	<u>\$ 149,579,335.68</u>

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Deposits, Investments and Repurchase Agreements

Authorized Investments

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

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

The university also employs an investment manager to manage the assets of its endowments which total \$8,912,617.84 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets. Additionally, the university contracts with the Texas A&M University System to manage university investments in the Texas A&M Cash Long Term Concentration Pool (CCP) as well as the Texas A&M University System Endowment Fund (SEF). The fair value of investments in the Long Term CCP and the SEF managed by Texas A&M University System at August 31, 2017 were \$26,437,644.16 and \$12,280,332.11, respectively. Additional information about these investments is disclosed separately on pages 33-38.

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

	<u>2017</u>	<u>2016</u>
Cash on Hand	\$ 17,600.00	\$ 17,200.00
Cash in Bank	5,053,330.67	5,718,175.40
Cash in State Treasury	2,896,567.01	2,382,729.58
Total Cash and Cash Equivalents	<u>\$7,967,497.68</u>	<u>\$8,118,104.98</u>

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

Current Assets—Cash and Cash Equivalents:

Cash on Hand	\$ 17,600.00	\$ 17,200.00
Cash in Bank	282,063.36	897,441.31
Cash in State Treasury	2,896,567.01	2,382,729.58

Current Assets—Restricted Cash and Cash Equivalents:

Cash in Bank	<u>4,771,267.31</u>	<u>4,820,734.09</u>
Total Cash and Cash Equivalents	<u>\$7,967,497.68</u>	<u>\$8,118,104.98</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 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, 2017 was \$6,357,511.43. \$250,000 of this amount was covered by FDIC Insurance, and \$6,107,511.43 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Bank of New York Mellon acting as custodian for the university and the bank (as defined above).

The university also entered into a flexible repurchase agreement with Bayerische Landesbank (BLB) for investment of construction bond proceeds. The value of the investments at August 31, 2017 was \$56,238,187.55. Per the contract, Wells Fargo Bank acts as the third party custodial agent for all purchased securities pledged as collateral in the university's name. The value of the collateral must be no less than 102% of the value of the investments. Eligible securities are obligations of the United States of America or any agency or instrumentality of the United States of America that are wireable through the Federal Reserve System. The collateral market value at August 31, 2017 was \$58,860,036.80, or 104.66% of the value of the investments in the flexible repurchase agreement.

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Notes To The Financial Statements - Unaudited

Fair Value of Investments as of August 31 by Investment Type	<u>2017</u>	<u>2016</u>
U.S. Government Agency Obligations	\$ 243,359.32	\$ 296,925.24
Corporate Bonds	2,235,155.00	2,108,340.25
Equities	6,330,886.16	5,652,732.63
Other Commingled Funds—Texas A&M System Investment Pool*	38,717,976.27	38,491,664.59
Other Commingled Funds—Texpool	4,014,803.23	2,004,369.67
Other Commingled Funds—LOGIC	4,036,163.18	3,012,876.23
Other Commingled Funds—Texas Class	4,041,742.85	3,015,699.51
Other Commingled Funds—Goldman Sachs	76,988.43	79,550.45
Flexible Repurchase Agreements	56,238,187.55	9,012,527.82
Alternative Investments (including hedge funds)	565,998.84	613,782.44
Total Investments	<u>\$116,501,260.83</u>	<u>\$64,288,468.83</u>
Fair Value of Investments as of August 31 by Balance Sheet Category		
Current Assets—Short-Term Investments	\$12,822,554.32	\$ 8,765,352.49
Non-Current Assets—Restricted Short Term Investments	55,585,330.92	8,359,671.19
Non-Current Assets—Restricted Investments	2,742,442.87	5,593,238.45
Non-Current Assets—Other Long Term Investments	45,350,932.72	41,570,206.70
Total Investments	<u>\$116,501,260.83</u>	<u>\$64,288,468.83</u>

*See additional disclosures on pages 33-38 for investments managed by the Texas A&M University System.

Fair Value Hierarchy of Investments

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

- Level 1 has been assigned to investments for which quoted prices (unadjusted) are available for identical assets in active markets on the measurement date. These assets include equities (common stock, listed ADR's and listed preferred stock), exchange traded mutual funds, exchange traded options, money market funds and U.S. Treasury securities.
- Level 2 has been assigned to investments for which there are inputs, other than quoted prices, that are observable for an asset or liability, either directly or indirectly. These assets include cash equivalents, collateralized mortgage obligations, corporate bonds, mortgage-backed securities, municipal bonds, non-exchange traded options, short-term obligations, and U.S. agency securities.
- Level 3 has been assigned to assets to which there are unobservable inputs. Examples of these assets are commingled funds and private equity technology partnerships.
- NAV – MSU invests in certain private investments and limited partnerships including hedge funds, natural resources, private equity, venture capital, energy, and real estate. The fair value of these investments is based on the investment manager's determined NAV as allowed by the Standard. The valuations at the date provided by the investment manager have been adjusted by rolling forward to August 31, 2017 to include the following events: capital contributions or distributions since the investment manager's valuation date reported to MSU, changes in the composition of assets or liabilities reported by the investment manager since the valuation date of the NAV, and changes in fair value of assets or liabilities reported since the investment manager's valuation date. In the case of hedge funds, MSU has adjusted the reported July 31, 2017 NAV by the estimated performance as of August 31, 2017 as reported by the investment manager.

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Notes To The Financial Statements - Unaudited

Note 3: Continued	Fair Value Hierarchy				Fair Value as of August 31, 2017
Investment Type	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	NAV	
U.S. Government Agency Obligations		\$ 243,359.32			\$ 243,359.32
Corporate Bonds		2,235,155.00			2,235,155.00
Equities	\$6,330,886.16				6,330,886.16
Other Commingled Funds - Texas A&M System Investment Pool*					38,717,976.27
Other Commingled Funds - Texpool				\$4,014,803.23	4,014,803.23
Other Commingled Funds - LOGIC				4,036,163.18	4,036,163.18
Other Commingled Funds - Texas Class				4,041,742.85	4,041,742.85
Other Commingled Funds - Goldman Sachs				76,988.43	76,988.43
Flexible Repurchase Agreements				56,238,187.55	56,238,187.55
Alternative Investments (including hedge funds)		302,841.00	\$263,157.84		565,998.84
Total Investments					\$116,501,260.83

*See additional disclosures on pages 33-38 for investments managed by the Texas A&M University System.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of August 31, 2017, 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)	\$ 243,359.32			
Corporate Bonds		\$395,190.00	\$ 201,282.20	\$1,638,682.80
Commingled Funds—Texpool and LOGIC	12,092,709.26			

Investment Type	BB	B	Collateralized	Not Rated
Other Commingled Funds—Goldman Sachs				\$ 76,988.43
Flexible Repurchase Agreements			\$56,238,187.55	
Equities				6,330,886.16
Alternative Investments (including hedge funds)				565,998.84

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2017, the university's concentration of credit risk is immaterial to any single issuer.

Midwestern State University

Notes To The Financial Statements - Unaudited

Interest Rate Risk

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

The university's investments exposed to interest rate risk as of August 31, 2017, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration</u>
U.S. Government Agency Obligations	\$ 243,359.32	3.78
Corporate Bonds	2,235,155.00	4.37

Texas A&M Investment Pool

The fair value of Midwestern State University's investments managed by the Texas A&M University System as of August 31, 2017 is presented below:

<u>Investment Type</u>	<u>LT CCP</u>	<u>SEF</u>	<u>Total Combined Fair Value</u>
U.S. Treasury Securities	\$ 1,976,752.51	\$ 292,080.84	\$ 2,268,833.35
U.S. Treasury TIPS	147,978.88	37,195.77	185,174.65
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	899,765.95	182,203.16	1,081,969.11
Corporate Obligations	2,907,744.74	573,487.08	3,481,231.82
Corporate Asset and Mortgage-Backed Securities	1,232,238.64	250,096.72	1,482,335.36
Equity (Domestic)	4,650,309.23	1,682,054.12	6,332,363.35
International Obligations (Govt and Corp)	1,078,975.92	142,799.50	1,221,775.42
International Equity	3,630,936.10	1,555,013.71	5,185,949.81
Fixed Income Money Market and Bond Mutual Funds	626,269.72	234,868.27	861,137.99
Mutual Funds—International Equity (registered with SEC)	3,391,018.04	1,410,140.03	4,801,158.70
Other Commingled Funds—Equity		338,674.25	338,674.25
Other Commingled Funds—Fixed Income	401,373.10	179,690.14	581,063.24
Derivatives	550.94	126.69	677.63
<u>Alternative Investments:</u>			
Hedge Funds—Domestic	2,742,871.68	878,778.90	3,621,650.58
Hedge Funds—International	2,714,334.88	917,397.99	3,631,732.87
Limited Partnerships—Private Equity		1,508,348.16	1,508,348.16
Limited Partnerships—International Private Equity		948,965.31	948,965.31
Limited Partnerships—Real Estate		283,403.74	283,403.74
Limited Partnerships—International Real Estate		22,828.15	22,828.15
Limited Partnerships—Natural Resources		917,839.53	917,839.53
Limited Partnerships—International Natural Resources		65,206.21	65,206.21
<u>Miscellaneous:</u>			
Political Subdivisions	7,453.06		7,453.06
Total Investments	\$26,408,573.39	\$12,421,198.27	\$38,829,771.66

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<i>Note 3: Continued</i>	Fair Value Hierarchy					Fair Value as of August 31, 2017
Investment Type	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Amortized Cost	NAV	
U.S. Treasury Securities	\$2,268,833.35					\$ 2,268,833.35
U.S. Treasury TIPS	185,174.65					185,174.65
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)		\$1,081,969.11				1,081,969.11
Corporate Obligations		3,481,231.82				3,481,231.82
Corporate Asset and Mortgage-Backed Securities		1,482,335.36				1,482,335.36
Equity (Domestic)	6,332,363.35					6,332,363.35
International Obligations (Govt and Corp)		1,221,775.42				1,221,775.42
International Equity	5,185,949.81					5,185,949.81
Fixed Income Money Market and Bond Mutual Funds				\$861,137.99		861,137.99
Mutual Funds—International Equity (registered with SEC)	4,801,158.07					4,801,158.07
Other Commingled Funds—Equity			\$338,674.25			338,674.25
Other Commingled Funds—Fixed Income	238,264.80		342,798.44			581,063.24
Derivatives		677.63				677.63
<u>Alternative Investments:</u>						
Hedge Funds—Domestic					\$3,621,650.58	3,621,650.58
Hedge Funds—International					3,631,732.87	3,631,732.87
Limited Partnerships—Private Equity					1,508,348.16	1,508,348.16
Limited Partnerships—International Private Equity					948,965.31	948,965.31
Limited Partnerships—Real Estate					283,403.74	283,403.74
Limited Partnerships—International Real Estate					22,828.15	22,828.15
Limited Partnerships—Natural Resources					917,839.53	917,839.53
Limited Partnerships—International Natural Resources					65,206.21	65,206.21
<u>Miscellaneous:</u>						
Political Subdivisions		7,453.06				7,453.06
Total Investments						\$38,829,771.66
Fair Value of Investments as of August 31, 2017 by Balance Sheet Category						
Foreign Currency presented as Cash						\$ 2,227.38
Cash						(0.49)
<u>Receivables:</u>						
Int/Dividends Receivable						85,878.32
Foreign Currency Fluctuations—Receivable						442.33
FFX Contract Receivable						136,459.70
Pending Sale						442,904.32
<u>Payables:</u>						
Payable for Manager Fees						(16,784.47)
Payable for 4th quarter SEF distribution						(139,204.89)
Foreign Currency Fluctuations—Payable						4.14
FFX Contract Payable						(136,459.70)
Pending Purchase						(487,013.71)
Other Payables						(249.59)
Rounding due to allocation						1.27
Total Cash and Accruals						(111,795.39)
Investments (detailed on page 33 and above by Investment Type)						38,829,771.66
Net Asset Value						\$38,717,976.27

Midwestern State University

Notes To The Financial Statements - Unaudited

The table below reflects the notification and liquidity parameters applicable to The Texas A&M University System Cash Concentration Pool (CCP) and System Endowment Fund (SEF). Midwestern State University (MSU) has elected to invest in both the CCP and the SEF. By agreement, MSU may withdraw funds from the Cash Concentration Pool on the first day of each month with notice of at least one day. In the event of full liquidation, MSU may withdraw 33% with 30 days notice, 50% of remaining assets with 60 days notice and 100% of the remaining assets with 90 days notice. All withdrawals are effective on the first day of the following month. Investments in the System Endowment Fund are not subject to withdrawal except in the event of termination of the agreement and full liquidation. The liquidation schedule for the System Endowment Fund is 33% of the assets with notice of 90 days from the end of the current fiscal quarter, 50% of the remaining assets at the end of the second quarter after notice and 100% of the remaining asset at the end of the third quarter after notice.

Investments Reported at NAV		Redemption	
Investment Strategy	Fair Value	Frequency Range Low	Frequency Range High
Hedge Funds - Domestic	\$3,621,650.58	monthly	semi-annually
Hedge Funds - International	3,631,732.87	monthly	semi-annually
Limited Partnerships - Private Equity	1,508,348.16	N/A	N/A
Limited Partnerships - International Private Equity	948,965.31	N/A	N/A
Limited Partnerships - Real Estate	283,403.74	N/A	N/A
Limited Partnerships - International Real Estate	22,828.15	N/A	N/A
Limited Partnerships - Natural Resources	917,839.53	N/A	N/A
Limited Partnerships - International Natural Resources	65,206.21	N/A	N/A

Investments Reported at NAV		Redemption		Unfunded
Investment Strategy	Notice Period Range Low	Notice Period Range High	Commitment	
Hedge Funds - Domestic	65 days	1.75 years	N/A	
Hedge Funds - International	65 days	1.75 years	N/A	
Limited Partnerships - Private Equity	N/A	N/A	\$517,391.00	
Limited Partnerships - International Private Equity	N/A	N/A	575,951.00	
Limited Partnerships - Real Estate	N/A	N/A	321,085.00	
Limited Partnerships - International Real Estate	N/A	N/A	6,939.00	
Limited Partnerships - Natural Resources	N/A	N/A	334,851.00	
Limited Partnerships - International Natural Resources	N/A	N/A	4,886.00	

ANNUAL FINANCIAL REPORT

Year Ended
8-31-2017
(UNAUDITED)

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Continued

Investments Exposed to Credit Risk

Investment Type	AAA	AA	A	BBB
U.S. Government Agency Obligations		\$1,005,585.58		
Corporate Obligations	\$111,210.19	337,294.70	\$453,839.04	\$1,986,469.77
Corporate Asset and Mortgage-Backed Securities	224,531.51	174,656.46	191,543.21	285,972.99
International Obligations	85,404.75	199,394.98	239,591.37	488,634.46
Fixed Income Money Market & Bond Mutual Fund	861,137.99			

Investment Type	BB	B	CCC	Not Rated
U.S. Government Agency Obligations				\$76,383.53
Corporate Obligations	\$327,543.24	\$188,330.75		76,544.13
Corporate Asset & Mortgage Backed Securities			\$28,138.09	577,493.10
International Obligations	78,517.07	5,626.33		124,606.46
Other Commingled Funds - Fixed Income				581,063.24
Miscellaneous (municipals and CDs)				7,453.06

Investments Exposed to Foreign Currency Risk

Fund Type	GAAP Fund	Foreign Currency	International Obligation (Govt and Corp and MF)	International Equity	Equity Mutual Funds— International
05	9999	U.S. Dollar Denominated Foreign Securities	\$1,111,843.00	\$1,885,008.32	\$4,801,158.07
05	9999	Australian Dollar		85,472.94	
05	9999	Brazil Real		99,326.08	
05	9999	British Pound Sterling	8,919.66	628,113.04	
05	9999	Canadian Dollar		232,410.06	
05	9999	Danish Krone		81,391.48	
05	9999	Euro Currency Unit	1,522.55	835,901.43	
05	9999	Hong Kong Dollar		99,382.00	
05	9999	Japanese Yen		562,895.94	
05	9999	New Taiwan Dollar		47,240.46	
05	9999	New Zealand	99,490.21		
05	9999	Singapore Dollar		30,127.43	
05	9999	South Korean Won		46,702.51	
05	9999	Swedish Krona		67,497.25	
05	9999	Swiss Franc		398,952.07	
05	9999	Thailand Baht		64,464.43	
05	9999	New Turkish Lira		21,064.37	
TOTAL			\$1,221,775.42	\$5,185,949.81	\$4,801,158.07

Midwestern State University

Notes To The Financial Statements - Unaudited

Investments Exposed to Foreign Currency Risk (continued)

Fund Type	GAAP Fund	Foreign Currency	Alternative Investments			
			International Hedge Funds	International Other Private Equity	International Energy, Natural Resources	International Other Real Estate Funds
05	9999	U.S. Dollar Denominated Foreign Securities	\$3,631,732.87	\$781,640.54	\$65,206.21	\$22,828.15
05	9999	Euro Currency Unit		167,324.77		
TOTAL			\$3,631,732.87	\$948,965.31	\$65,206.21	\$22,828.15

Investments Exposed to Interest Rate Risk

Investment Types	Effective Duration	Unaccrued Market Value System Total
U.S. Treasury Securities	4.670	\$ 2,268,833.35
U.S. Treasury TIPS	3.409	185,174.65
U.S. Government Agency Obligations	2.078	1,081,969.11
Corporate Obligations	6.179	3,481,231.82
Corporate Asset and Mortgage Backed Securities	3.613	1,482,335.36
International Obligations	4.989	1,221,775.42
Other Commingled Funds - Fixed Income	1.829	581,063.24
Miscellaneous (political subdivision and CDs)	1.772	7,453.06
Total Fair Value		\$10,309,836.01

Derivative Investing

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

The table below summarizes MSU's share of the pending foreign exchange contracts as of August 31, 2017:

Currency	Sell	Buy	Unrealized Gain on Foreign Exchange Contract	Unrealized Loss on Foreign Exchange Contract
British Pound Sterling	\$ 14,219.83		\$ 14.63	\$13.29
Canadian Dollar	5,938.06		23.02	
Euro	4,072.52	\$8,584.87	2.40	29.49
New Zealand	97,981.97		674.01	
Swiss Franc	5,662.45		6.87	0.52
	\$127,874.83	\$8,584.87	\$720.93	\$43.30

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Ended
8-31-2017
(UNAUDITED)

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 3: Continued

The university's share of the fair value of open foreign currency exchange contracts as of August 31, 2017 was \$720.93, which is included in the net increase (decrease) in fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position.

The gross counterparty exposure related to MSU's share of these contracts as of August 31, 2017 was as follows:

Notional Amount	Assets Fair Value as of August 31, 2017	Liabilities Fair Value as of August 31, 2017	S&P Counterparty Rating
\$ 97,981.97	\$674.01		A+
10,486.95	36.15	\$ 0.52	A+
16,387.42	6.87	31.08	A-
496.17	1.50		A+
11,107.19	2.40	11.70	A
\$136,459.70	\$720.93	\$43.30	

Note 4: Short-Term Debt

Not Applicable

Note 5: Long-Term Liabilities

During the year ended August 31, 2017, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-16	Restatement	Additions	Reductions	Balance 08-31-17
Revenue Bonds Payable	\$103,923,362.76		\$84,126,637.24 *	\$39,450,000.00	\$148,600,000.00
Unamortized Premium on Revenue Bonds	2,725,524.93		11,717,736.50	742,312.93	13,700,948.50
Subtotal	106,648,887.69		95,844,373.74	40,192,312.93	162,300,948.50
Compensable Leave	1,709,682.22		232,547.09	210,581.27	1,731,648.04
Capital Lease Obligations	33,822.50			33,822.50	
Total	<u>\$108,392,392.41</u>	<u>\$0.00</u>	<u>\$96,076,920.83</u>	<u>\$40,436,716.70</u>	<u>\$164,032,596.54</u>

*See Schedule 2B on page 58

Amounts due within one year are as follows:

Revenue Bonds Payable	Unamortized Premium on Revenue Bonds	Compensable Leave	Total
\$6,130,000.00	\$681,038.64	\$250,166.23	\$7,061,204.87

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 \$1,731,648.04. The university made lump sum payments totaling \$210,581.27 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2017, and payments of \$240,665.98 for August 31, 2016.

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 to 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

Bonds Payable

Detailed supplemental bond information is disclosed in:

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

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

Revenue and Refunding Bonds, Series 2007

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To pay for constructing, equipping, and furnishing a student recreation and health facility; improving, renovating, enlarging, and/or equipping Fowler Hall; improving, renovating, enlarging, and/or equipping D.L. Ligon Coliseum; and refunding a portion of the outstanding Revenue Refunding and Improvement Bonds, Series 1998.
- Issued August 1, 2007
- \$28,855,000; all bonds authorized have been issued.
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service—Pledged Revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- \$17,595,000 of the 2007 Series was advance refunded in June 2015: \$14,085,000 of Series 2015A and \$3,510,000 of Series 2015B (see Series 2015A and 2015B).
- Changes in Debt: Principal paid during Fiscal Year—\$1,515,000; Outstanding at Year End—\$0.

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(UNAUDITED)

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

Revenue and Refunding Bonds, Series 2008

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To pay for constructing, equipping, and furnishing an additional student housing facility; purchasing an existing student housing facility; improving, renovating, enlarging, and/or equipping D.L. Ligon Coliseum; constructing, equipping and furnishing an instrumental music facility.
- Issued July 1, 2009
- \$38,300,136; all bonds authorized have been issued.
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of unrestricted current funds revenues but do not include: remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts within the Educational and General Fund Group, student service fees, and private gifts in the Auxiliary Fund Group.
- \$28,175,000 of the 2008 Series was advance refunded in September 2016: \$17,545,000 of Series 2016A and \$10,630,000 of Series 2016B (see Series 2016A and 2016B).
- Changes in Debt: Principal paid during Fiscal Year—\$1,205,000; Outstanding at Year End—\$2,515,000.

<u>Premium Capital Appreciation Bonds</u>		<u>Unamortized Premium on CAB</u>		<u>Combined Totals</u>	
Beginning Principal Amount	\$(1,118,362.76)	Beginning Premium	\$(61,274.40)		\$(1,179,637.16)
Amortization Entries	FY17 <u>(86,637.24)</u>	Amortization Entries	FY17 <u>61,274.40</u>		<u>(25,362.84)</u>
Total Amortization	\$(1,205,000.00)	Balance at Year End	\$ 0.00		\$(1,205,000.00)
Payment	FY17 <u>1,205,000.00</u>				<u>1,205,000.00</u>
Future Entry	FY18 \$ 0.00	Future Entry	FY18 \$ 0.00		\$ 0.00

Revenue Financing System Revenue Bonds, Series 2010

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To pay for improving, renovating, enlarging, and/or equipping the university's existing D.L. Ligon Coliseum.
- Issued April 1, 2010
- \$6,700,000; all bonds authorized have been issued.
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of unrestricted current funds revenues, but do not include: remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts within the Educational and General Fund Group, student service fees, and private gifts in the Auxiliary Fund Group.
- \$4,860,000 of the 2010 Series was advance refunded in September 2016 (see Series 2016A).
- Changes in Debt: Principal paid during Fiscal Year—\$185,000; Outstanding at Year End—\$840,000.

Midwestern State University

Notes To The Financial Statements - Unaudited

Revenue and Refunding Bonds, Series 2012A

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the current refunding of \$4,600,000 of the MSU Building Revenue and Refunding Bonds, Series 2002, which were used to pay for campus improvements in heating, ventilating and air conditioning systems, chilled water distribution, street drainage and paving, and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting.
- Issued September 15, 2012
- \$4,710,000; all bonds authorized have been issued.
- Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unappropriated fund balances and unrestricted current funds revenues available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$630,000; Outstanding at Year End—\$2,580,000.

Revenue and Refunding Bonds, Series 2012B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance advance refunding of \$4,945,000 of MSU Building Revenue and Refunding Bonds, Series 2003, which were used to pay for improving, enlarging, and/or equipping university residence halls, including fire safety improvements and other general modernization improvements.
- Issued September 15, 2012
- \$5,415,000; all bonds authorized have been issued.
- Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service—Pledged Revenues, consisting of unappropriated fund balances and unrestricted current funds revenues available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$515,000; Outstanding at Year End—\$4,570,000.

Revenue and Refunding Bonds, Series 2015A

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the construction of a new 500-bed student dormitory and an addition to the Fain Fine Arts building to expand the Mass Communications program; the refunding of \$605,000 of the MSU Building Revenue and Refunding Bonds, Series 2003, which were used to pay for improving, enlarging, and/or equipping university residence halls, including fire safety and other general modernization improvements; the refunding of \$6,025,000 of the Series 2007 TRB portion; and the refunding of \$7,195,000 of the Series 2007 Non-TRB portion.
- Issued June 2, 2015
- \$53,335,000; all bonds authorized have been issued.
- Revenue and Refunding Bond
- Business-Type Activities
- The premium on the bonds will be amortized over the life of the debt using the straight-line method.
- The deferred outflow of the loss on the refunding of the bonds will be amortized over the next two fiscal years per the requirements of GASB 65, *Items Previously Reported as Assets and Liabilities*.
- Source of Revenue for Debt Service—Pledged Revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$240,000; Outstanding at Year End—\$52,465,000.

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 6: Continued

Revenue and Refunding Bonds, Series 2015B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the refunding of \$1,710,000 of the Series 2007 TRB portion and \$2,045,000 of the Series 2007 Non-TRB portion.
- Issued June 2, 2015
- \$3,755,000; all bonds authorized have been issued.
- Revenue and Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service—Pledged revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$10,000; Outstanding at Year End—\$3,705,000.

Revenue and Refunding Bonds, Series 2016A

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. \$58,400,000 of the proceeds from the sale of the Series 2016A Bonds will be used for the construction of the new 84,000 gross square foot Gunn Health Sciences and Human Services building with the consolidation of the previously separately housed Simulation Center, along with substantial renovations to Moffett Library, minor renovations and code improvements to Bridwell Hall, Bolin Hall, the Fain Fine Arts Center, and the Hardin Administration Building, the relocation of Information Technology to a more secure building on campus, and other essential electrical, infrastructural, HVAC and ADA upgrades and improvements.
- Issued September 15, 2016
- \$70,135,000; Of the \$58,400,000 authorized, \$50,975,000 have been issued.
- Revenue and Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service—The additional debt service for these projects will be funded with tuition revenue bond retirement appropriations authorized by the 84th Texas Legislature.
- Changes in Debt: Principal paid during Fiscal Year—\$2,115,000; Outstanding at Year End—\$70,135,000.

Revenue and Refunding Bonds, Series 2016B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. The entire proceeds of \$11,790,000 from the sale of Series 2016B revenue and refunding bonds were used to advance refund the remaining 2008 series revenue bonds on a taxable basis.
- Issued September 15, 2016
- \$11,790,000; all bonds authorized have been issued.
- Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service—Pledged revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$0; Outstanding at Year End—\$11,790,000.

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Midwestern State University

Notes To The Financial Statements - Unaudited

Note 7: Derivative Instruments

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

MSU invests funds in the Texas A&M University System's investment pools, which include investment derivatives in the form of forward currency exchange contracts used for the purchase or sale of a specific foreign currency at a fixed quantity and price on a future date as a hedge against either specific transactions or portfolio positions. Additional information on these contracts can be found in the A&M System's financial statement note disclosures. The table below summarizes MSU's share of the pending foreign exchange contracts as of August 31, 2017.

Investment Derivatives	Changes in Fair Value		Fair Value as of 8/31/2017		Notional Amount
	Classification	Amount	Classification	Amount	
FX Contracts	Investment Income	\$677.63	Investment	\$677.63	\$136,459.70

Note 8: Leases

Capital Leases

Midwestern State University has no capital leases as of August 31, 2017.

Operating Leases

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

Year	Total
2018	\$155,319.48
2019	110,684.90
2020	50,014.95
2021	18,255.35
2022	6,040.42
Total Future Minimum Lease Payments	\$340,579.40

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 9: Pension Plans

Teacher Retirement System Pension Plan

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

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

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

During the measurement period of 2016 for fiscal 2017 reporting, the amount of Midwestern State University’s contributions recognized by the plan was \$841,200.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

TRS Plan Required Contribution Rates	
Employer	6.8%
Employees	7.2%

The total pension liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure total pension liability as of the August 31, 2016 measurement date:

Actuarial Methods and Assumptions	TRS Plan
Actuarial Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
<u>Actuarial Assumptions:</u>	
Discount Rate	8.0%
Investment Rate of Return	8.0%
Inflation	2.50%
Salary Increase	3.50% to 9.50%, including inflation
<u>Mortality:</u>	
Active	90% of the RP 2014 Employee Mortality Tables for males and females.
Post-Retirement	2015 TRS Healthy Pensioner Mortality Tables.
Ad Hoc Post-Employment Benefit Changes	None

The actuarial assumptions used in valuation were primarily based on the result of an actuarial experience study for the four-year period ending August 31, 2014 and adopted September 2015. The mortality rates were based on 90% of the RP 2014 employee Mortality Tables for the active members. The post-retirement mortality rates were based on 2015 TRS Healthy Pensioner Mortality Tables.

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There have been no changes to the benefit provisions of the plan since the prior measurement date.

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

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

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

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

Sensitivity Analysis

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

1% Decrease in Discount Rate (7%)	Current Discount Rate (8%)	1% Increase in Discount Rate (9%)
\$15,484,019.00	\$10,004,773.00	\$5,357,265.00

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 9: Continued

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Teacher Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. The framework for measuring fair value is based on a hierarchy that gives the highest priority to the use of observable inputs in an active market and lowest priority to the use of unobservable inputs. More detailed information on the plan's investment policy, assets, and fiduciary net position may be obtained from TRS' fiscal 2016 Comprehensive Annual Financial Report.

At August 31, 2017, Midwestern State University reported a liability of \$10,004,773.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion at August 31, 2017 was 0.0264757 percent which was a decrease from the 0.0272098 percent on the prior measurement date. MSU's proportion of the collective net pension liability was based on its contributions to the pension plan relative to all of the employer's and non-employer contributing entities' contributions to the plan for the period September 1, 2016 through August 31, 2017.

For the year ending August 31, 2017, Midwestern State University recognized pension expense of \$1,106,473.00. At August 31, 2017, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows and Outflows Related to Pensions:	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 156,873.00	\$ 298,737.00
Changes of assumptions	304,928.00	277,319.00
Net difference between projected & actual investment return	847,183.00	
Change in proportion and contribution difference		560,864.00
Contributions subsequent to the measurement date	955,426.00	
Total	\$2,264,410.00	\$1,136,920.00

The \$955,426.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2018. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	Amount of Pension Expense to be Recognized
2018	\$ (27,830.00)
2019	(27,830.00)
2020	512,545.00
2021	(69,342.00)
2022	(191,649.00)
Thereafter	(23,831.00)
Total	\$172,063.00

Midwestern State University

Notes To The Financial Statements - Unaudited

Optional Retirement Program

The state has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The ORP is authorized by the Texas Government Code, Chapter 830, and is administered by MSU, subject to policies, practices, and procedures developed by the Texas Higher Education Coordinating Board to provide greater uniformity in the administration of the program. The ORP provides for the purchase of annuity contracts and mutual funds. The contributory percentages of participant salaries provided by the State and by each participant enrolled in the plan on or before August 31, 1995, are 8.5% and 6.65%, respectively. The 8.5% is composed of 6.6% contributed by the State and an additional 1.9% contributed by the university. For participants who enrolled after September 1, 1995, State and participant contributions are 6.6%, and 6.65%, respectively. Because there are individual annuity contracts, the State has no additional or unfunded liability for this program, and MSU bears no responsibility for retirement commitments beyond contributions. The contributions made to the ORP by the plan members and employer for the fiscal year ended August 31, 2017, compared to the previous year, are shown below:

	Year Ended August 31, 2017	Year Ended August 31, 2016
Member Contributions	\$1,047,238.02	\$1,094,511.11
Employer Contributions	1,122,733.61	1,177,101.24
Total Remittance	<u>\$2,169,971.63</u>	<u>\$2,271,612.35</u>

Note 10: Deferred Compensation

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

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

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

Note 11: Postemployment Health Care and Life Insurance Benefits

Not Applicable.

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Notes To The Financial Statements - Unaudited

Note 12: Interfund Activity and Transactions

University transactions with other state agencies are as follows:

Name of State Agency, Agency Number	Interfund Receivable	Interfund Payable	Purpose
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Interfund Receivables and Payables—Current:

State Energy Conservation Office, 907 D23 Fund 7999		<u>\$277,683.04</u>	SECO Federal Revolving Loan
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Interfund Receivables and Payables—Non Current:

State Energy Conservation Office, 907 D23 Fund 7999		<u>\$707,099.81</u>	SECO Federal Revolving Loan
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Due to/Due From:	Due From Other Agencies	Due To Other Agencies	Purpose
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Texas Department of Motor Vehicles, 608			Texas Collegiate License Plate Fund
D23 Fund 0802	\$ 1.00		
Texas Tech University, 733			Small Business Development Center
D23 Fund 7999	<u>124,584.94</u>		
Total Due To/Due From	<u>\$ 124,585.94</u>		

Operating Transfers:	Transfer In	Transfer Out	
Texas Higher Education Coordinating Board, 781			Dental Hygiene Degree or Certification Program
D23 Fund 0264		\$ 948.00	
Texas Public Finance Authority, 347			Master Lease Purchase Transfers
D23 Fund 7999	\$1,647,347.86	889,031.29	
Texas State Comptroller's Office, 902			Hazlewood Exemption Program
D23 Fund 0210	<u>149,977.00</u>	<u>87,165.00</u>	
Total Transfers	<u>\$1,797,324.86</u>	<u>\$977,144.29</u>	

Legislative Transfers:	Transfer In	Transfer Out	
Texas State Comptroller's Office, 902			Tuition Revenue Bond Retirement
D23 Fund 0001	\$4,516,989.00		
D23 Fund 0001	<u>108,791.00</u>		Hazlewood Reimbursement-
Total Transfers	<u>\$4,625,780.00</u>		

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

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balance/Net Position

Not Applicable.

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Notes To The Financial Statements - Unaudited

Note 15: Contingencies and Commitments

There is no pending or threatened litigation.

Note 16: Subsequent Events

There were no material events that occurred subsequent to August 31, 2017.

Note 17: Risk Management

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

The university's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. At August 31, 2017, 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 \$186,186.14 and \$96,619.61 for workers' compensation coverage for fiscal years ending August 31, 2017 and 2016, respectively. Unemployment compensation is funded on a pay as you go method, with the State contributing half of the cost of benefits and the university contributing the other half for employees paid by State appropriated funds. The university must pay 100% of the cost of benefits for employees paid from local funds.

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

Note 18: Management's Discussion and Analysis

See Introduction.

Note 19: The Financial Reporting Entity

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

The Midwestern State University Foundation and Charitable Trust are nonprofit organizations with the sole purpose of supporting the educational and other activities of the university. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of \$725,609 to MSU during the year ended August 31, 2017, and \$1,439,123 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$1,016,945 to the university during the year ended August 31, 2017 and \$1,078,435 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2017 are reported by their trustees in the amount of \$23,548,000.00 and \$29,076,391.35, respectively.

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Notes To The Financial Statements - Unaudited

Note 20: Stewardship, Compliance and Accountability

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

Note 21: Not Applicable to the AFR

Note 22: Donor Restricted Endowments

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

University endowments are invested to preserve principal while providing income and growth. Annual distributions from the earnings and cumulative net appreciation are made to fund scholarships, professorships, and other uses as stipulated by the donors. The administration reviews the total return on endowment accounts and recommends an annual distribution. The university's spending policy provides for a target distribution rate between 3% and 5% annually.

For the fiscal year ended August 31, 2017, the net appreciation on investments of donor restricted endowments available for authorization of expenditure, after distributions, is as follows:

<u>Donor-Restricted Endowment</u>	<u>Amounts of Net Appreciation</u>	<u>Reported in Net Position</u>
True Endowments	None	Restricted for Nonexpendable
Term Endowments	\$824,638.11	Restricted for Nonexpendable
True Endowments	None	Restricted for Expendable

Note 23: Extraordinary and Special Items

Not Applicable.

Note 24: Disaggregation of Receivable and Payable Balances

Accounts Receivables

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

<u>Accounts Receivable Category</u>	<u>Current Amount</u>
3rd Party Contracts on Student Receivables	\$ 981,314.17
Summer Camp Programs Receivable	13,200.50
Follett Bookstore Receivable	123,101.65
Vending Commission Accruals	1,518.26
Employee Travel Advances	2,103.18
Other Grants and Contracts Receivable	17,192.20
Endowment Distribution Receivable	134,561.92
Gifts Receivable	3,489.00
Insurance Recovery Proceeds Receivable	3,989.70
Other Miscellaneous Receivables	109.29
Total	\$1,280,579.87

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

Midwestern State University

Notes To The Financial Statements - Unaudited

Note 25: Termination Benefits

Not Applicable.

Note 26: Segment Information

Not Applicable.

Note 27: Service Concession Arrangements

Not Applicable.

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

The \$955,426.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2018.

Deferred Inflows and Outflows Related to Pensions:	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 156,873.00	\$ 298,737.00
Changes of assumptions	304,928.00	277,319.00
Net difference between projected and actual investment return	847,183.00	
Change in proportion and contribution difference		560,864.00
Contributions subsequent to the measurement date	955,426.00	
Unamortized Loss on Debt Refunding	3,314,907.86	
Total	\$5,579,317.86	\$1,136,920.00

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

Year Ended August 31st	2018	2019	2020	2021	2022	Thereafter	Total
Amount of Pension Expense to be Recognized	(27,830.00)	(27,830.00)	512,545.00	(69,342.00)	(191,649.00)	(23,831.00)	172,063.00

The ending balance of \$3,314,907.86 in deferred outflows of resources was related to unamortized losses on refunding debt. For debt refundings, the difference between the reacquisition price and net carrying amount of the old debt is deferred and reported as deferred outflows or deferred inflows, depending on whether the net result is a gain or loss. The deferred amount is then amortized over the life of the new debt or life of the old debt, whichever is shorter. In this case, the deferred outflow will be amortized using the straight-line method over the life of the old debt. The annual amortization expense will be \$194,994.58, and the deferred outflow will be fully amortized in fiscal year 2034.

Note 29: Troubled Debt Restructuring

Not Applicable.

Note 30: Non-Exchange Financial Guarantees

Not Applicable.

Note 31: Tax Abatements

Not Applicable.

Note 32: Fund Balance

Not Applicable.

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Schedule 1A - Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017, with Comparative Totals for the Year Ended August 31, 2016

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	CFDA Number	ID #	Univ/Agy #	Pass-Through From		
				Agency Amount	University Amount	Non-State Entities Amount
<u>National Endowment for the Humanities</u>						
Promotion of the Humanities—Federal/State Partnership	45.129					
Promotion of the Humanities—Public Programs	45.164					
Totals—National Endowment for the Humanities						
<u>Institute of Museum and Library Services</u>						
Pass-Through From:						
Texas State Library and Archives Commission (TSLAC)						
Grants to States	45.310		306	\$1,286.74		
<u>Small Business Administration</u>						
Pass-Through From:						
TTU-Small Business Development Center						
	59.037		733		\$135,117.65	
<u>National Science Foundation</u>						
Education and Human Resources	47.076					
<u>U.S. Department of Health and Human Services</u>						
Advanced Nursing Education Grant Program	93.247					
Research & Development Cluster						
<u>U.S. Department of the Interior</u>						
National Land Remote Sensing Education Outreach & Research	15.815					
Student Financial Assistance Cluster						
<u>U.S. Department of Education</u>						
Direct Programs:						
Federal Supplemental Education Opportunity Grants	84.007					
Federal Work-Study Program	84.033					
Federal Pell Grant Program	84.063					
Federal Direct Student Loans	84.268					
Federal Perkins Loan Program	84.038					
Teacher Education Assistance for College & HE Grants (TEACH)	84.379					
Total Student Financial Assistance Cluster Programs						
TRIO Cluster						
<u>U.S. Department of Education</u>						
Direct Programs						
TRIO—Student Support Services	84.042					
Total Federal Financial Assistance				\$1,286.74	\$135,117.65	

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<u>Direct Program</u>	<u>Total of Pass-Through From & Direct Program</u>	<u>Pass-Through To</u>		<u>Expenditures</u>	<u>2017</u>	<u>2016</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>
						\$ 3,070.00
						6,738.63
						9,808.63
	\$ 1,286.74			\$ 1,286.74	\$ 1,286.74	4,136.47
	135,117.65			135,117.65	135,117.65	106,993.93
\$ 121,155.18	121,155.18			121,155.18	121,155.18	67,087.15
4,166.66	4,166.66			4,166.66	4,166.66	
16,675.94	16,675.94			16,675.94	16,675.94	23,392.49
87,895.00	187,895.00			187,895.00	187,895.00	150,739.00
104,906.83	104,906.83			104,906.83	104,906.83	129,348.47
9,523,650.09	9,523,650.09			9,523,650.09	9,523,650.09	8,529,342.03
31,005,478.00	31,005,478.00			31,005,478.00	31,005,478.00	29,810,337.00
152,470.00	152,470.00			152,470.00	152,470.00	(14,438.59)
40,974,399.92	40,974,399.92			40,974,399.92	40,974,399.92	140,100.00
						38,745,427.91
214,227.32	214,227.32			214,227.32	214,227.32	206,519.92
<u>\$41,330,625.02</u>	<u>\$41,467,029.41</u>			<u>\$41,467,029.41</u>	<u>\$41,467,029.41</u>	<u>\$39,163,366.50</u>

Midwestern State University

Note 1: Nonmonetary Assistance

Not Applicable

Note 2: Reconciliation

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Federal Revenues—Per Exhibit II

Federal Grant Revenue—Operating	\$ 801,496.93
Federal Grant Revenue—Non-Operating	9,523,650.09
Federal Pass-through Revenue—Operating	135,117.65
Federal Pass-through Revenue—Non-Operating	1,286.74
Total Federal Revenues	10,461,551.41

Reconciling Items: New Loans Processed

Federal Direct Student Loans Processed	31,005,478.00
	<u>\$41,467,029.41</u>

Note 3a: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/Program Name	Beginning Balance of Outstanding Loans as of 8/31/16	New Loans Processed, does not include Admin Cost	CY Admin Cost Recovered, includes PYs only if applicable
U.S. Department of Education			
84.038 Federal Perkins Loan Program			
84.268 Federal Direct Student Loans Program		\$31,005,478.00	
Total Department of Education		\$31,005,478.00	
Federal Grantor/CFDA Number/Program Name	Total Loans Processed & Admin Cost Recovered	Repayment/Adjustment Activity (PY + CY)	Outstanding Balance of Loans as of 8/31/17, includes
U.S. Department of Education			
84.038 Federal Perkins Loan Program			
84.268 Federal Direct Student Loans Program	\$31,005,478.00	\$31,005,478.00	
Total Department of Education	\$31,005,478.00	\$31,005,478.00	

Note 5: Unemployment Insurance

Not Applicable

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

Not Applicable

Note 7: Federal Deferred Revenue

Universities are exempt from Note 7

Note 8: Disaster Grants—Public Assistance

Not Applicable

Note 9: Economic Adjustment Assistance

Not Applicable

Note 10 - 10% de Minimis Indirect Cost Rate

The university does not elect to use the 10% de minimis indirect cost rate because it has a predetermined rate of 50% of direct salaries and wages including all fringe benefits on grants, contracts and other agreements with the Federal Government that was negotiated with the Department of Health and Human Services in 2014, which extends through August 31, 2018. The university will be submitting a new rate proposal in February of 2018. The 50% rate will become provisional on September 1, 2018 until August 31, 2020 or until a new rate is negotiated

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

<u>Operating Revenue:</u>	<u>2017</u>	<u>2016</u>
Pass-Through From:		
UT System (Agy #720) - Joint Admission Medical Program (JAMP)	\$ 7,785.70	\$ 9,919.51
Texas Commission on the Arts (TCA—Agy #813)		
Arts Create		
Arts Respond	4,987.00	1,850.00
Texas State Board of Public Accountancy (TSBPA—Agy #457)		
5th Year Accounting		3,918.00
Texas Higher Education Coordinating Board (Agy #781)		
College Work Study Program	35,009.83	32,699.00
Engineering Recruitment Program	11,727.00	12,900.00
Professional Nursing Shortage Reduction Program	69,178.73	
TEXAS Grant Program	4,077,803.00	4,408,436.00
Top 10% Scholarships	32,000.00	43,200.00
Total Operating Pass-Through Revenue (Exhibit II)	<u>\$4,238,491.26</u>	<u>\$4,512,922.51</u>
Pass-Through To:		
None		
<u>Non-Operating Revenue:</u>		
Pass-Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
Nursing & Allied Health	\$ 582.45	\$ 14,289.23
Total Non-Operating Pass-Through Revenue (Exhibit II)	<u>\$ 582.45</u>	<u>\$ 14,289.23</u>

Pass-Through To:

None

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Midwestern State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2017

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities		First Call Date
			First Year	Last Year	
Revenue Bonds:					
Revenue and Refunding Bonds:					
Series 2007	\$ 28,855,000.00	4.00% - 4.625%	2008	2032	12-01-16
Revenue and Refunding Bonds:					
Series 2008	38,635,346.92	3.00% - 5.25%	2008	2034	12-01-18
Revenue Bonds:					
Series 2010	6,700,000.00	4.00% - 5.00%	2012	2036	12-01-20
Revenue and Refunding Bonds:					
Series 2012A	4,710,000.00	2.00% - 2.25%	2013	2020	12-01-20
Revenue and Refunding Bonds:					
Series 2012B	5,415,000.00	0.50% - 3.25%	2013	2024	12-01-24
Revenue and Refunding Bonds:					
Series 2015A	53,335,000.00	2.00% - 5.00%	2016	2045	06-01-25
Revenue and Refunding Bonds:					
Series 2015B	3,755,000.00	0.515%-2.957%	2016	2022	None
Revenue and Refunding Bonds:					
Series 2016A	72,250,000.00	2.00%-5.00%	2016	2035	12-01-18
Revenue and Refunding Bonds:					
Series 2016B	<u>11,790,000.00</u>	1.426%-2.666%	2019	2035	12-01-20
Total	<u>\$225,445,346.92</u>				

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Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2017

Business Type Activities

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Description of Issue	Bonds Outstanding 09-01-2016	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished
Revenue Bonds:				
Revenue Financing System Revenue & Refunding Bonds: Series 2007	\$ 1,515,000.00		\$1,515,000.00	
Revenue Financing System Revenue & Refunding Bonds: Series 2008	31,808,362.76	\$ 86,637.24 *	1,205,000.00	\$28,175,000.00
Revenue Financing System Revenue Bonds: Series 2010	5,885,000.00		185,000.00	4,860,000.00
Revenue Financing System Revenue & Refunding Bonds: Series 2012A	3,210,000.00		630,000.00	
Revenue Financing System Revenue & Refunding Bonds: Series 2012B	5,085,000.00		515,000.00	
Revenue Financing System Revenue & Refunding Bonds: Series 2015A	52,705,000.00		240,000.00	
Revenue Financing System Revenue & Refunding Bonds: Series 2015B	3,715,000.00		10,000.00	
Revenue Financing System Revenue & Refunding Bonds: Series 2016A	0.00	72,250,000.00	2,115,000.00	
Revenue Financing System Revenue & Refunding Bonds: Series 2016B	0.00	11,790,000.00	0.00	
Total	\$103,923,362.76	\$84,126,637.24	\$6,415,000.00	\$33,035,000.00

* Accretion on Capital Appreciation Bonds

<u>Bonds Outstanding 08-31-2017</u>	<u>Amounts Due Within One Year</u>	<u>Unamortized Premium</u>	<u>Unamortized Discount</u>	<u>Net Bonds Outstanding 08-31-2017</u>	<u>Amounts Due Within One Year</u>
\$ 0.00	\$ 0.00			\$ 0.00	\$ 0.00
2,515,000.00	1,230,000.00			2,515,000.00	1,230,000.00
840,000.00	195,000.00			840,000.00	195,000.00
2,580,000.00	645,000.00			2,580,000.00	645,000.00
4,570,000.00	520,000.00			4,570,000.00	520,000.00
52,465,000.00	305,000.00	\$ 2,569,098.73		55,034,098.73	400,151.81
3,705,000.00	1,550,000.00			3,705,000.00	1,550,000.00
70,135,000.00	1,685,000.00	11,131,849.77		81,266,849.77	2,270,886.83
<u>11,790,000.00</u>	<u>0.00</u>			<u>11,790,000.00</u>	<u>0.00</u>
<u>\$148,600,000.00</u>	<u>\$6,130,000.00</u>	<u>\$13,700,948.50</u>	<u>\$0.00</u>	<u>\$162,300,948.50</u>	<u>\$6,811,038.64</u>

Midwestern State University

Unaudited

Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2017

Business Type Activities

Description of Issue	2018	2019	2020	2021	2022
Revenue Financing System Revenue and Refunding Bonds:					
Series 2008					
Principal	\$ 1,230,000.00	\$1,285,000.00			
Interest	76,000.00	25,700.00			
Revenue Financing System Revenue and Refunding Bonds:					
Series 2010					
Principal	195,000.00	205,000.00	\$ 215,000.00	\$ 225,000.00	
Interest	37,125.00	27,125.00	16,625.00	5,625.00	
Revenue Financing System Revenue and Refunding Bonds:					
Series 2012A					
Principal	645,000.00	660,000.00	675,000.00	600,000.00	
Interest	46,650.00	33,600.00	20,250.00	6,750.00	
Revenue Financing System Revenue Bonds:					
Series 2012B					
Principal	520,000.00	535,000.00	550,000.00	560,000.00	\$ 575,000.00
Interest	117,778.56	107,612.61	95,594.16	81,695.86	65,993.18
Revenue Financing System Revenue and Refunding Bonds:					
Series 2015A					
Principal	305,000.00	875,000.00	880,000.00	1,275,000.00	1,030,000.00
Interest	2,323,931.26	2,297,481.26	2,253,606.26	2,206,106.26	2,154,856.26
Revenue Financing System Revenue and Refunding Bonds:					
Series 2015B					
Principal	1,550,000.00	1,055,000.00	460,000.00	150,000.00	490,000.00
Interest	60,504.26	39,922.80	24,204.70	16,520.30	7,244.65
Revenue Financing System Revenue and Refunding Bonds:					
Series 2016A					
Principal	1,685,000.00	1,730,000.00	2,570,000.00	2,695,000.00	3,065,000.00
Interest	3,014,200.00	2,971,400.00	2,894,050.00	2,775,275.00	2,631,275.00
Revenue Financing System Revenue and Refunding Bonds:					
Series 2016B					
Principal	0.00	0.00	660,000.00	670,000.00	680,000.00
Interest	324,986.70	324,986.70	320,280.90	309,699.20	297,349.70
Total	\$12,131,175.78	\$12,172,828.37	\$11,634,611.02	\$11,576,671.62	\$10,996,718.79
Less Interest	(6,001,175.78)	(5,827,828.37)	(5,624,611.02)	(5,401,671.62)	(5,156,718.79)
Total Principal	\$ 6,130,000.00	\$6,345,000.00	\$ 6,010,000.00	\$ 6,175,000.00	\$ 5,840,000.00

Year
Ended
8-31-2017
(UNAUDITED)

<u>2023-27</u>	<u>2028-32</u>	<u>2033-37</u>	<u>2038-42</u>	<u>2043-47</u>	<u>Total Requirements</u>
					\$ 2,515,000.00
					101,700.00
					840,000.00
					86,500.00
					2,580,000.00
					107,250.00
\$ 1,830,000.00					4,570,000.00
89,214.35					557,888.72
9,450,000.00	\$ 9,940,000.00	\$ 8,605,000.00	\$11,385,000.00	\$8,720,000.00	52,465,000.00
9,530,781.30	7,043,056.30	4,974,506.30	3,007,828.18	553,781.29	36,345,934.67
					3,705,000.00
					148,396.71
17,790,000.00	22,150,000.00	18,450,000.00			70,135,000.00
10,638,000.00	5,986,975.00	1,401,200.00			32,312,375.00
3,665,000.00	4,025,000.00	2,090,000.00			11,790,000.00
1,244,912.20	705,382.55	94,408.50			3,622,006.45
\$54,237,907.85	\$49,850,413.85	\$35,615,114.80	\$14,392,828.18	\$9,273,781.29	\$221,882,051.55
(21,502,907.85)	(13,735,413.85)	(6,470,114.80)	(3,007,828.18)	(553,781.29)	(73,282,051.55)
\$32,735,000.00	\$36,115,000.00	\$29,145,000.00	\$11,385,000.00	\$8,720,000.00	\$148,600,000.00

Midwestern State University

Unaudited

Midwestern State University
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2017

Business Type Activities
 Description of Issue

Pledged and Other Sources and Related Expenditures for FY 2017

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Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Revenue and Refunding Bonds: Series 2007			\$1,515,000.00	\$ 30,300.00
Revenue and Refunding Bonds: Series 2008			1,205,000.00	100,600.00
Revenue Bonds Series 2010			185,000.00	46,625.00
Revenue and Refunding Bonds: Series 2012A			630,000.00	59,400.00
Revenue and Refunding Bonds: Series 2012B			515,000.00	126,113.45
Revenue and Refunding Bonds: Series 2015A		\$4,290,686.97	240,000.00	1,813,921.56
Revenue and Refunding Bonds: Series 2015B			10,000.00	71,063.25
Revenue and Refunding Bonds: Series 2016A		2,743,565.91	2,115,000.00	2,157,006.28
Revenue and Refunding Bonds: Series 2016B			0.00	226,801.35
Total for all Revenue Financing System Revenue Bonds	\$74,350,744.67	\$7,034,252.88	\$6,415,000.00	\$4,631,830.89

Midwestern State University

Unaudited

Midwestern State University
 Schedule 2E - Defeased Bonds Outstanding
 For the Fiscal Year Ended August 31, 2017

Business Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Financing System Revenue and Refunding Bonds Series 2007	2015	\$17,595,000.00
Revenue Financing System Revenue and Refunding Bonds Series 2008	2017	28,175,000.00
Revenue Financing System Revenue and Refunding Bonds Series 2010	2017	4,860,000.00
Total		\$50,630,000.00

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Year
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 8-31-2017
 (UNAUDITED)

Midwestern State University

Unaudited

Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2017

Business Type Activities

Description of Issue	Category	Amount Extinguished/ Refunded	Refunded Issued Par Value	Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
<u>Revenue Bonds:</u>					
Revenue Financing System Bonds					
Series 2008	Advance Refunding	\$28,175,000.00	\$28,580,000.00	\$2,581,919.70	\$2,074,501.09
Series 2010	Advance	4,860,000.00	4,485,000.00	871,998.27	651,301.26
		<u>\$33,035,000.00</u>	<u>\$33,065,000.00</u>	<u>\$3,453,917.97</u>	<u>\$2,725,802.35</u>

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Midwestern State University

Unaudited

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

Cash in State Treasury	Unrestricted	Restricted	Current Year 2017	Prior Year 2016
General Revenue - Dedicated Fund 0264	\$2,896,567.01		\$2,896,567.01	\$2,375,460.44
Special Mineral Fund - 0412				7,269.14
Total Cash – State Treasury (Stmt of Net Position)	<u>\$2,896,567.01</u>		<u>\$2,896,567.01</u>	<u>\$2,382,729.58</u>

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