



# **Midwestern State University**

**Financial Report  
(Unaudited)  
For the Year Ended  
August 31, 2018**

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November 15, 2018

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, State Comptroller  
Julie Ivie, Assistant 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, 2018, 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,

A handwritten signature in blue ink that reads "Suzanne Shipley".

Suzanne Shipley  
President



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

November 15, 2018

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, 2018.

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:

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Marilyn Fowlé, Vice President  
Administration and Finance

# Midwestern State University

ORGANIZATIONAL DATA  
August 31, 2018

THE BOARD OF REGENTS

Term Expires May 31, 2019

Ms. Leia De La Garza, Student Regent      Wichita Falls

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

Term Expires February 25, 2024

Mr. Guy A. "Tony" Fidelie, Jr.                  Wichita Falls  
Mr. Oku Okeke                                        Wichita Falls  
Ms. Karen Liu Pang                                 Irving

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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8-31-2018  
(UNAUDITED)

# 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, 2018 and 2017.

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.

The university's focus remains on recruitment, enrollment, retention and graduation with an enrollment goal to reach 8,000 students by 2025. For the fall 2018 semester, MSU saw growth in headcount and credit hour production as headcount grew by 0.36% to 6,102 while credit hour production grew by 1.24% to 71,432.

Given the population growth and density in the Dallas area, there is continued emphasis on recruiting in the DFW Metroplex. Regional recruiters are based out of the DFW area and are using the new Flower Mound site as a recruiting base and resource.

The Flower Mound site had its formal grand opening this summer and is offering undergraduate programs in Business (BAAS), Criminal Justice (BAAS), Human Services (BAAS), Nursing (RN to BSN), Radiologic Sciences (RT to BSRS), Respiratory Care (RRT to BSRC), and Teacher Education. Graduate programs are being offered in Business (MBA), Counseling (Clinical Mental Health), Education (M.Ed.) and Human Resources (MA). The Flower Mound site enrolled over 200 undergraduate and graduate students this fall.

The university continues to utilize partnerships in enrollment efforts and has teamed up with Dallas County Promise to offer Dallas County students free tuition upon entering MSU after completion of a two year degree. These students will be eligible for the Mustangs Guarantee Program, which allows students with an AGI (Adjusted Gross Income) under \$50,000 to enroll tuition free. The university has also partnered with Café Con Leche to provide educational assistance to Hispanic serving families in the region. MSU's current enrollment consists of 20.5% Hispanic, which is an increase over the previous year, so this partnership is important to enrollment initiatives.

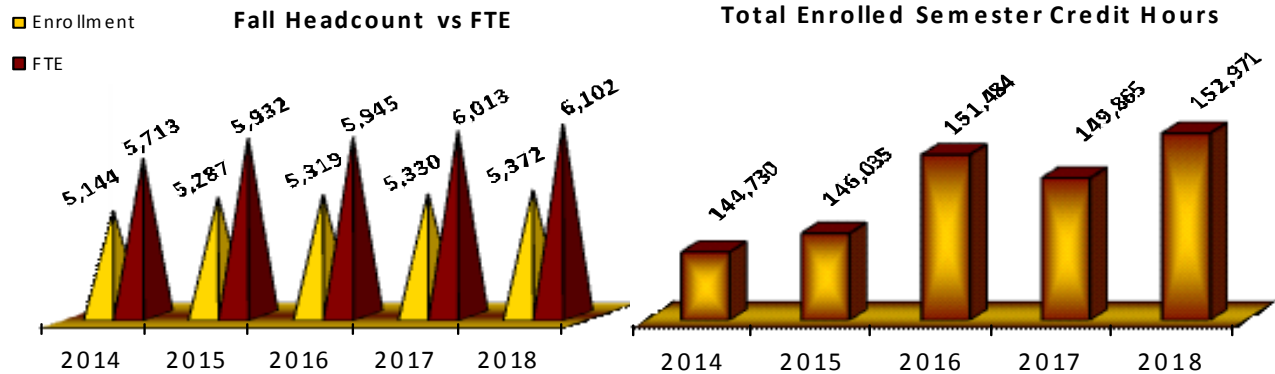
The Office of Enrollment Management was established in July 2018 and a new Vice President for that division was hired. The university restructured offices to report to this new division and now includes Admissions, Financial Aid, Registrar and Institutional Research. This area can provide focus on enrollment and growth and there are several initiatives taking place, which are as follows:

- Development of an extensive Enrollment Plan to grow headcount to 8,000 students.
- Review of business processes in Financial Aid and Registrar to improve protocols and to become more efficient. Ellucian (CRM provider) consultants are meeting with these offices to go over best practice processes.
- Implementation of new recruitment software at the undergraduate and graduate levels was completed in August 2018. This improved software provides better communication to prospective students.
- Improving the process to sign up for campus tours and experience a campus visit for prospective students; new visit software was implemented in October 2018.
- A Financial Aid modeling study is under way through EAB, which involves reviewing awarding of new freshmen and possible aid strategies.
- Data mining of retention data in collaboration with Enrollment Management, Student Affairs and Academic Affairs will offer insight into populations needing additional assistance in order to begin to provide more resources for advising, tutoring and mentoring.
- MSU will be offering dual credit opportunities at high schools throughout Texas beginning with the fall 2019 semester.
- Enrollment Management is considering the following programs for implementation in 2019: Student Search Program (freshmen outreach), Student Success Collaborative (retention), Transfer Collaborative (transfer students), and AdmitHub (Artificial Intelligence Programming).



# Midwestern State University

## Management's Discussion & Analysis - Unaudited

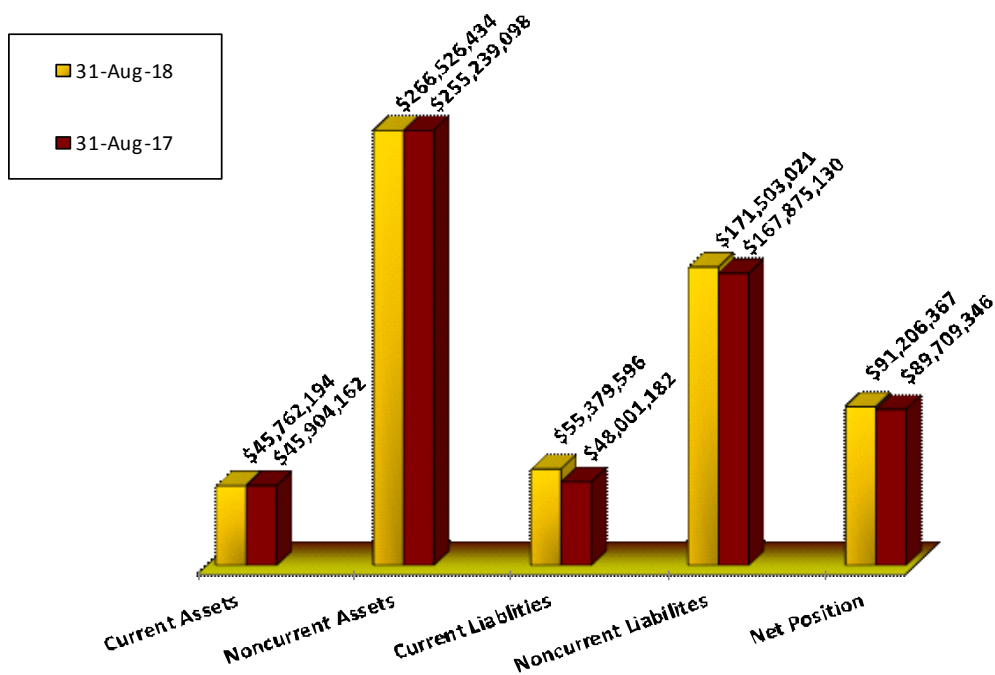


### The Statement of Net Position

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 next page shows, the university's net position increased a total of \$1,497,021.46, from \$89,709,345.59 in 2017 to \$91,206,367.05 in 2018. A few factors contributing to this increase include a large software donation of \$10.7 million, \$1.7 million market appreciate on investment assets, a \$3 million increase in net student tuition and fee revenue and auxiliary income from housing and dining operations, and a \$2 million increase in external grants and contracts. Overall net increases to net position were offset by the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which required a restatement to beginning net position of \$13.6 million.



ANNUAL FINANCIAL REPORT

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

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### The Statement of Net Position

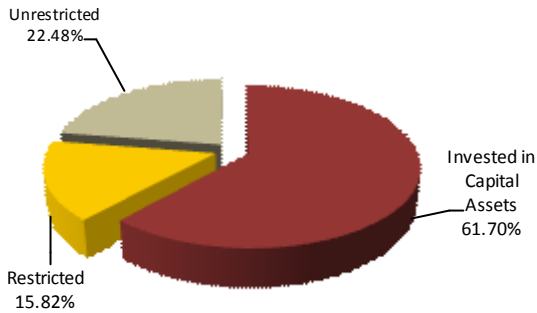
|   | <u>2018</u>             | <u>2017</u>             |
|---|-------------------------|-------------------------|
| <b>Current Assets</b>                                       | \$ 45,762,193.89        | \$ 45,904,161.92        |
| <b>Noncurrent Assets:</b>                                   |                         |                         |
| Capital Assets  | 171,826,827.90          | 149,579,335.68          |
| Other   | <u>94,699,605.60</u>    | <u>105,659,762.25</u>   |
| <b>Total Assets</b>   | <u>312,288,627.39</u>   | <u>301,143,259.85</u>   |
| <b>Deferred Outflows of Resources:</b>                      |                         |                         |
| Pensions  | 2,421,142.00            | 2,264,410.00            |
| Unamortized Loss on Debt Refunding                          | 3,119,913.30            |                         |
| Other Postemployment Benefits (OPEB)                        | <u>4,720,653.00</u>     | <u>3,314,907.86</u>     |
| <b>Total Deferred Outflows of Resources</b>                 | <u>10,261,708.30</u>    | <u>5,579,317.86</u>     |
| <b>Total Assets and Deferred Outflows</b>                   | <u>322,550,335.69</u>   | <u>306,722,577.71</u>   |
| <b>Current Liabilities</b>                                  | 55,379,596.41           | 48,001,181.86           |
| <b>Noncurrent Liabilities</b>                               | <u>171,503,021.23</u>   | <u>167,875,130.26</u>   |
| <b>Total Liabilities</b>                                    | <u>226,882,617.64</u>   | <u>215,876,312.12</u>   |
| <b>Deferred Inflows of Resources:</b>                       |                         |                         |
| Pensions  | 1,879,521.00            | 1,136,920.00            |
| Other Postemployment Benefits (OPEB)                        | <u>2,581,830.00</u>     |                         |
| <b>Total Deferred Inflows of Resources</b>                  | <u>4,461,351.00</u>     | <u>1,136,920.00</u>     |
| <b>Total Liabilities and Deferred Inflows</b>               | <u>231,343,968.64</u>   | <u>217,013,232.12</u>   |
| <b>Net Position:</b>  |                         |                         |
| Invested in Capital Assets                                  | 56,272,885.37           | 45,540,385.81           |
| <u>Restricted for:</u>                                      |                         |                         |
| Nonexpendable   | 4,855,816.68            | 4,781,923.71            |
| <u>Expendable:</u>  |                         |                         |
| Capital Projects  | (123,492.27)            | 45,495.73               |
| Restricted by Contributor                                   | 9,698,735.92            | 10,956,559.06           |
| Unrestricted  | <u>20,502,421.35</u>    | <u>28,384,981.28</u>    |
| <b>Total Net Position</b>                                   | <u>91,206,367.05</u>    | <u>89,709,345.59</u>    |
| <b>Total Liabilities, Deferred Inflows and Net Position</b> | <u>\$322,550,335.69</u> | <u>\$306,722,577.71</u> |



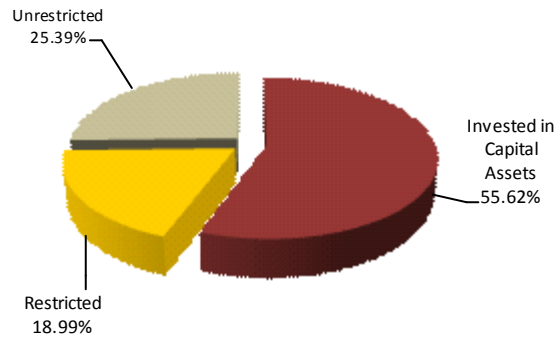
# Midwestern State University Management's Discussion & Analysis - Unaudited

The following charts indicate changes in net position for the years ended August 31, 2018 and August 31, 2017.

**Net Position - August 31, 2018**

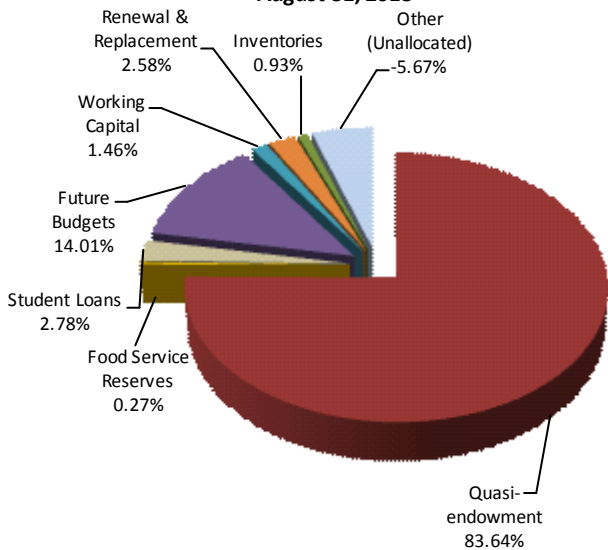


**Net Position - August 31, 2017**

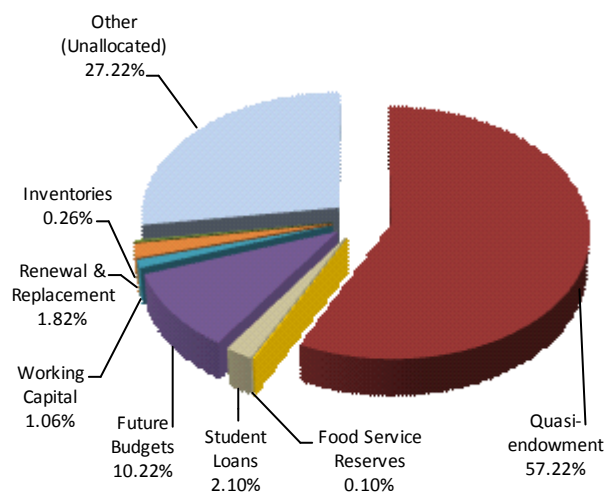


The university reports 22.48% of total net position as unrestricted for the year ended August 31, 2018 and 25.39% for the previous year. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how the funds have been allocated:

**Allocation of Unrestricted Net Position  
August 31, 2018**



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



# 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, 2018 and 2017. 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, 2018 and 2017.

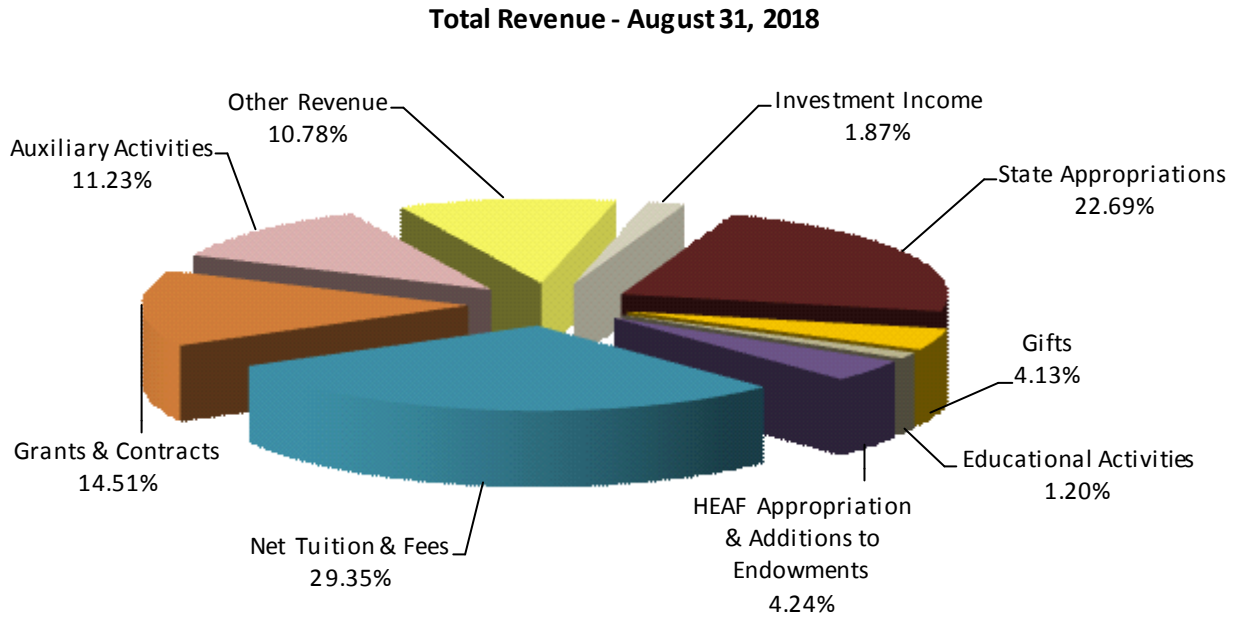
|  | <u>2018</u>             | <u>2017</u>             |
|--|-------------------------|-------------------------|
| <b>Operating Revenue:</b>  |                         |                         |
| Net Tuition and Fees   | \$ 35,401,408.08        | \$ 34,010,419.33        |
| Grants and Contracts   | 7,039,955.81            | 5,947,242.60            |
| Sales and Services of Educational Activities   | 1,441,650.94            | 1,482,742.95            |
| Sales and Services of Auxiliary Enterprises  | 13,552,580.89           | 12,155,141.75           |
| Other  | <u>1,456,941.79</u>     | <u>1,662,858.84</u>     |
| Total Operating Revenue  | 58,892,537.51           | 55,258,405.47           |
| <b>Total Operating Expenses</b>  | <u>(101,733,272.44)</u> | <u>(102,050,751.82)</u> |
| Operating Loss   | (42,840,734.93)         | (46,792,346.35)         |
| <b>Non-Operating Revenues (Expenses):</b>  |                         |                         |
| State Appropriations   | 21,836,476.00           | 18,522,721.00           |
| Other State Appropriations   | 5,536,645.46            | 6,109,491.17            |
| Federal Grants   | 10,459,109.85           | 9,523,650.09            |
| Federal Pass-Through Grants  | 862.56                  | 1,286.74                |
| State Pass-Through Grants from Other Agencies  |                         | 582.45                  |
| Gifts  | 4,978,103.66            | 4,300,824.13            |
| Insurance Recovery in Subsequent Year  |                         | 446,875.42              |
| Other Non-Operating Revenues (Expenses)  |                         | 1.46                    |
| Investment Income  | 2,255,782.59            | 2,287,642.37            |
| Net Increase (Decrease) in Fair Value of Investments                                   | 1,740,217.49            | 2,875,327.88            |
| Debt Issuance Costs  |                         | (751,559.69)            |
| Net Book Value of Capital Asset Disposals  | (232,087.58)            | (317,069.37)            |
| Interest Expense on Capital Asset Financing  | <u>(2,918,263.69)</u>   | <u>(4,327,792.88)</u>   |
| Total Non-Operating Revenue (Expense)  | 43,656,846.34           | 38,671,980.77           |
| Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items | 816,111.41              | (8,120,365.58)          |
| <b>Capital Contributions, Additions to Endowments, &amp; Special Items</b>             |                         |                         |
| Capital Contributions  | 10,875,249.98           | 291,161.71              |
| HEAF Appropriation   | 5,061,412.00            | 5,061,412.00            |
| Additions to Endowments  | 60,005.63               | 84,271.95               |
| Transfers In   | 572,880.04              | 1,797,324.86            |
| Transfers Out  | (1,112,063.43)          | (977,144.29)            |
| Legislative Transfers In   | 102,645.00              | 4,625,780.00            |
| Legislative Appropriations Lapsed  | <u>(1,248,800.17)</u>   | <u>(1,077,905.74)</u>   |
| <b>Increase (Decrease) in Net Position</b>   | 15,127,440.46           | 1,684,534.91            |
| <b>Net Position, Beginning of Year</b>   | 89,709,345.59           | 88,024,810.68           |
| <b>Restatements</b>  | (13,630,419.00)         |                         |
| <b>Net Position, Beginning of Year, Restated</b>                                       | 76,078,926.59           |                         |
| <b>Net Position, End of Year</b>   | <u>\$91,206,367.05</u>  | <u>\$89,709,345.59</u>  |

Year  
Ended  
8-31-2018  
(UNAUDITED)

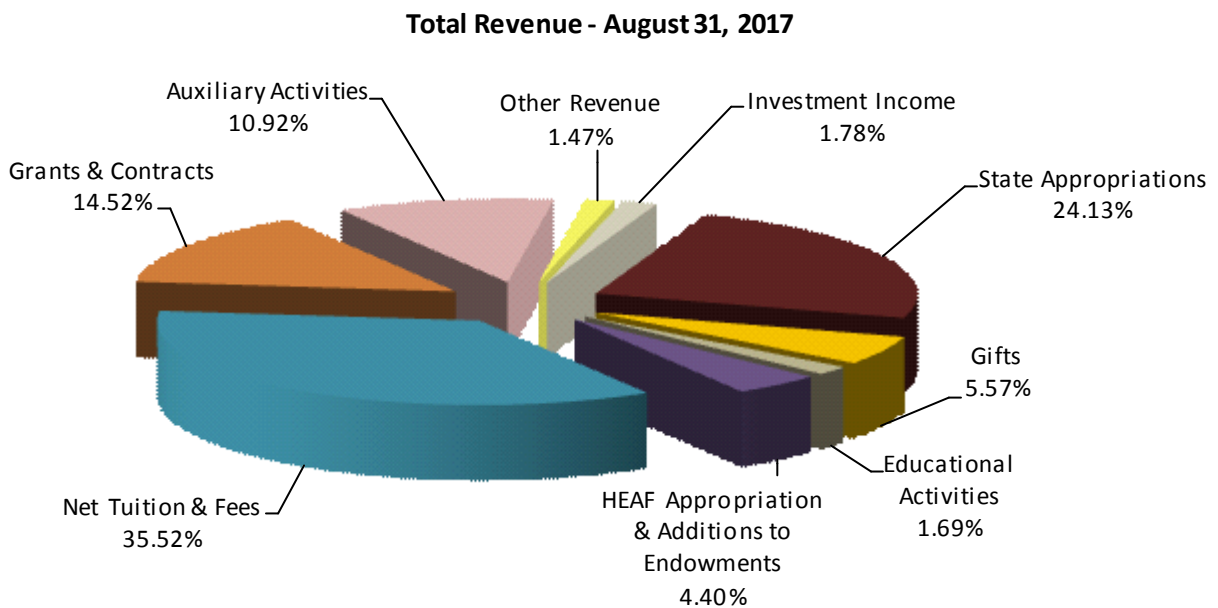
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# Midwestern State University Management's Discussion & Analysis - Unaudited

This chart identifies the components of total revenue for the year ended August 31, 2018.



This chart reflects the same information for the year ended August 31, 2017.

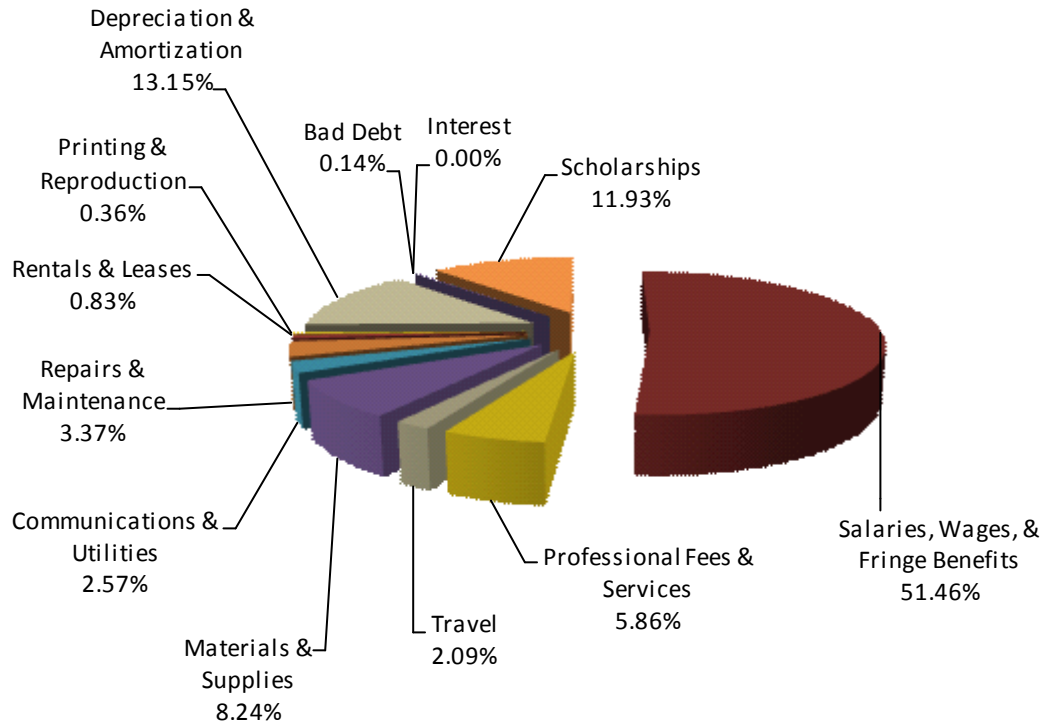


# Midwestern State University

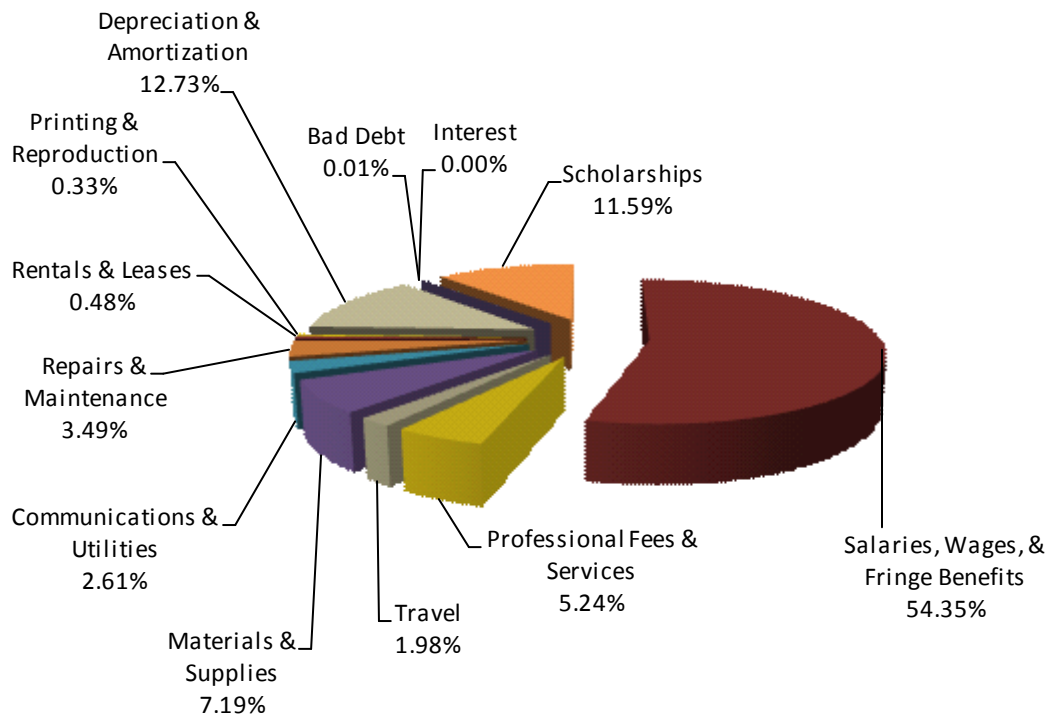
## Management's Discussion & Analysis - Unaudited

Total operating expenses for fiscal years 2018 and 2017 were \$101,733,272.44 and \$102,050,751.82, respectively. The following charts compare the fiscal year 2018 distribution of operating expenses to those in fiscal year 2017.

**Total Operating Expenses - August 31, 2018**



**Total Operating Expenses - August 31, 2017**



# 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>2018</u>                   | <u>2017</u>                   |
|--|-------------------------------|-------------------------------|
| Cash provided (used) by:                 |                               |                               |
| Operating activities                     | \$(26,121,266.79)             | \$(35,443,085.52)             |
| Noncapital financing activities          | 40,406,883.31                 | 40,552,939.92                 |
| Capital and related financing activities | (28,746,882.11)               | 42,367,345.79                 |
| Investing activities                     | <u>15,098,267.80</u>          | <u>(47,627,807.49)</u>        |
| Net increase (decrease) in cash          | <u>637,002.21</u>             | <u>(150,607.30)</u>           |
| <br>                                     |                               |                               |
| Cash – Beginning of year                 | <u>7,967,497.68</u>           | <u>8,118,104.98</u>           |
| <br>                                     |                               |                               |
| <b>Cash – End of year</b>                | <b><u>\$ 8,604,499.89</u></b> | <b><u>\$ 7,967,497.68</u></b> |

There was a net increase in cash of \$637,002.21.

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 \$36 million, grants accounted for \$7.6 million, and auxiliary enterprises, including housing and dining, accounted for \$13.96 million.

State appropriations in the amount of \$26.35 million were the primary sources of non-capital financing. Although the university is dependent on these appropriations to continue the current level of operations, accounting standards require that this source of funding be reflected as non-operating. Other non-capital financing activities include gifts in the amount of \$4.5 million, additions to endowments in the amount of \$60 thousand, and \$10.5 million in Federal non-operating grants.

Payments for the additions of capital assets totaled \$24.7 million and included construction of the new Gunn College of Health Sciences and Human Services building, Fire Marshal and ADA improvement projects, expansion of the Fantasy of Lights warehouse, the purchase of #6 Eureka Circle to house the university police, the \$1 million acquisition of new pianos for the music department through generous donations, and other various improvement projects across campus.

Proceeds from sales and maturities of investments within the investing section of the cash flow statement included \$21 million in expended bond proceeds to continue the construction of the new Gunn College of Health Sciences and Human Services building. In FY 2017, 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 \$16.8 million during the year and were used for the construction 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, 2018, the university had \$171.8 million invested in capital assets. This figure is net of accumulated depreciation and amortization of \$176.8 million. Depreciation and amortization charges totaled \$13.3 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>2018</u>                    | <u>2017</u>                    |
|-------------------------------------|--------------------------------|--------------------------------|
| Land and Land Improvements          | \$ 6,212,890.44                | \$ 5,946,107.70                |
| Construction in Progress            | 26,427,028.64                  | 4,992,962.50                   |
| Buildings and Building Improvements | 234,775,452.27                 | 234,498,048.31                 |
| Infrastructure                      | 13,351,147.45                  | 13,351,147.45                  |
| Facilities Improvements             | 14,531,278.87                  | 13,732,746.31                  |
| Furniture and Equipment             | 15,740,859.01                  | 14,465,988.97                  |
| Vehicles                            | 1,920,546.24                   | 1,881,543.98                   |
| Computer Software                   | 21,084,143.46                  | 10,730,009.48                  |
| Other Capital Assets                | 14,622,060.23                  | 14,955,588.62                  |
| <b>Total</b>                        | <b><u>\$348,665,406.61</u></b> | <b><u>\$314,554,143.32</u></b> |

Additions to assets of \$35.8 million during fiscal year 2018 included: continued construction of the new Gunn College of Health Sciences and Human Services building and the renovations across campus to comply with the specifications established by the Fire Marshal and the Americans with Disabilities Act (ADA). The parking lot on the south side of Prothro-Yeager was resurfaced to open up additional parking spots. Also, a new parking lot was constructed east of the Life Long Learning Center, and computer software in excess of \$10 million was donated to the Geosciences Department.

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

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 \$209.7 million in outstanding debt. Outstanding debt for the year ended August 31, 2017 was \$221.8 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2018 compared with August 31, 2017.

|   | <u>2018</u>                    | <u>2017</u>                    |
|---|--------------------------------|--------------------------------|
| Revenue Bonds                               | \$142,470,000.00               | \$148,600,000.00               |
| Accrued long term interest payable on bonds | 67,280,875.77                  | 73,282,051.55                  |
| <b>Total</b>                                | <b><u>\$209,750,875.77</u></b> | <b><u>\$221,882,051.55</u></b> |

Debt repayments made during the year included principal in the amount of \$6,130,000.00 and interest in the amount of \$6,001,175.69.

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 61-68.

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8-31-2018  
(UNAUDITED)

# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### Factors Affecting the Future of Midwestern State University

Midwestern State University (MSU Texas), is strongly positioned to meet the challenges of the future and to capitalize on the numerous opportunities ahead. As the MSU Centennial approaches in 2022, the university celebrates its past success and prepares for a promising second century. In November 2017, the MSU Board of Regents approved the Boundless Opportunities plan for a comprehensive campaign to support the university's strategic plan. Together, these plans provide a framework to address the long-term prosperity of the university.

#### INTERNAL STRENGTHS

The following are areas of strength that MSU will use to advance toward its goals.

Positive reputation and generous support – MSU has a positive reputation and a loyal base of donors. A brand extension to become known as MSU Texas and an expansion into the DFW area has enhanced the ability to recruit students and to benefit from external gifts. MSU receives substantial support 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 the only public liberal arts institution in Texas. MSU's commitment to a strong liberal arts experience for students in all majors partners effectively with the increasing emphasis on professional preparation, particularly in high-earning fields such as the health professions, business, and engineering. Close faculty and student interactions, and opportunities for faculty-supervised research further contribute to student preparation for employment and graduate study.

Educational value – MSU is able to provide excellent educational outcomes at a moderate price. In 2017, MSU earned the top spot in the *Diverse: Issues in Higher Education* magazine's list of the Top 100 minority health science degree producers among U.S. institutions of higher education. MSU Texas ranked in diagnostic, intervention, and treatment professions. The salaries of MSU graduates continue to place the university in the top ten Texas universities by graduates' earnings as reported by the website Best Value Schools. This ranking identified schools based on graduation rate, net price, acceptance rate, and 20-year net return on investment; MSU was noted for its 20-year ROI of \$300,000.

#### 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 Wichita Falls 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. For this reason MSU Texas is positioning itself to better partner with regional community colleges to serve transfer and adult populations.

Conversely, The Flower Mound Learning Center, which serves adult degree completers, is located in a growth area. Applying the 2000 – 2010 migration rate to the current adult population within a 10-mile radius of the Flower Mound Learning Center, we expect the following growth by 2025: 42% overall growth; 105% Hispanic/Latin; 13% White; 65% Black; and 75 other.

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.

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# Midwestern State University

## Management's Discussion & Analysis - Unaudited

### PREPARATION OF STUDENTS

A sizable proportion of students seeking admission to MSU are now taking advantage of additional preparation and academic support for college level work through math and reading bridge programs and a robust tutoring program throughout their undergraduate preparation. Through facilities, staffing, donations, and institutional support, this shifting demographic will be able to complete degrees in a timely manner with minimal debt.

MSU provides 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.

### 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.

Similarly, current students are attracted to facilities that encourage interactive, up-to-date learning, and MSU Texas maintains an appealing mix of living and learning locations.

### 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 is celebrating solid success in attracting funding from foundations and private donors that supplement tuition and fees and state funding. These funds allow MSU to provide the rigorous education that prepares students to compete in an ever increasingly competitive job environment and to enter that market with minimal student debt.

### ENROLLMENT

MSU increased enrollment by 0.36%, or 21 students, for the fall 2018 term. The first-time full-time (FTFT) cohort was 889, which is an 8.5% increase over fall 2017. The entering transfer student cohort was 669, which is an increase of 6% over fall 2017. Additionally, Graduate School enrollment was 730 students.

There are 80 Texas counties represented among the FTFT cohort. The top five represented are Wichita, Tarrant, Dallas, Denton and Montague and 81% of the entering freshmen came from within 150 miles of Wichita Falls. The incoming FTFT cohort is largely residential with 71.4% residing on campus. Total students residing on campus increased by 4.7% to 1,643 students living in residence halls.

The geographic make-up of the FTFT class includes 41.3% from DFW, 22.6% from Wichita County, 3.7% from Houston, and 2.6% from Austin. In addition to domestic students, international student enrollment now represents 9.4% of overall enrollment with 574 students from over 50 foreign countries.

# Midwestern State University

Unaudited

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

2018

2017

ASSETS AND DEFERRED OUTFLOWS

**Current Assets:**

Cash and Cash Equivalents:

|                        |               |               |
|------------------------|---------------|---------------|
| Cash on Hand           | \$ 16,750.00  | \$ 17,600.00  |
| Cash in Bank           | 1,991,746.59  | 282,063.36    |
| Cash in State Treasury | 2,724,644.20  | 2,896,567.01  |
| Short-term Investments | 11,712,495.28 | 12,822,554.32 |
| State Appropriations   | 1,727,765.35  | 1,949,448.10  |

Restricted:

|                            |              |              |
|----------------------------|--------------|--------------|
| Cash and Cash Equivalents: |              |              |
| Cash in Bank               | 3,871,359.10 | 4,771,267.31 |

Net Receivables:

|                                     |               |               |
|-------------------------------------|---------------|---------------|
| Student Receivables                 | 10,090,560.81 | 10,624,798.71 |
| Federal Receivables                 | 912,162.00    | 811,942.63    |
| Other Intergovernmental Receivables | 359,900.57    | 449,274.65    |
| Interest and Dividends              | 35,677.88     | 45,222.82     |
| Other Receivables                   | 2,106,001.28  | 1,280,579.87  |
| Pledges Receivable                  | 393,458.59    | 398,433.90    |
| Consumable Inventories              | 189,744.18    | 189,511.15    |
| Prepaid Expenses                    | 9,629,928.06  | 9,364,898.09  |

**Total Current Assets**

45,762,193.89 45,904,161.92

**Noncurrent Assets:**

Restricted:

|                             |               |               |
|-----------------------------|---------------|---------------|
| Short-term Investments      | 42,050,596.21 | 55,585,330.92 |
| Investments                 | 2,840,890.02  | 2,742,442.87  |
| Other Long-term Investments | 48,291,507.57 | 45,350,932.72 |
| Pledges Receivable          | 1,516,611.80  | 1,981,055.74  |
| Other Noncurrent Assets     |               |               |

Capital Assets, Non-depreciable:

|                            |                 |                 |
|----------------------------|-----------------|-----------------|
| Land and Land Improvements | \$ 6,212,890.44 | \$ 5,946,107.70 |
| Construction in Progress   | 26,427,028.64   | 4,992,962.50    |
| Other Capital Assets       | 3,533,965.30    | 3,533,965.30    |
|                            | 36,173,884.38   | 14,473,035.50   |

Capital Assets, Depreciable:

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Buildings & Building Improvements | 234,775,452.27   | 234,498,048.31   |
| Less Accumulated Depreciation     | (127,780,802.55) | (118,369,974.29) |
| Infrastructure                    | 13,351,147.45    | 13,351,147.45    |
| Less Accumulated Depreciation     | (7,726,108.47)   | (7,248,827.43)   |
| Facilities and Other Improvements | 14,531,278.87    | 13,732,746.31    |
| Less Accumulated Depreciation     | (6,114,249.63)   | (5,566,519.98)   |
| Furniture and Equipment           | 15,740,859.01    | 14,465,988.97    |
| Less Accumulated Depreciation     | (12,128,371.58)  | (11,878,464.18)  |
| Vehicles                          | 1,920,546.24     | 1,881,543.98     |
| Less Accumulated Depreciation     | (1,314,226.05)   | (1,227,751.79)   |
| Other Capital Assets              | 11,088,094.93    | 11,421,623.32    |
| Less Accumulated Depreciation     | (9,932,972.36)   | (10,147,217.91)  |

Intangible Capital Assets, Amortizable:

|                               |                 |                 |
|-------------------------------|-----------------|-----------------|
| Computer Software             | 21,084,143.46   | 10,730,009.48   |
| Less Accumulated Amortization | (11,841,848.07) | (10,536,052.06) |

**Total Noncurrent Assets**

266,526,433.50 255,239,097.93

**Total Assets**

\$312,288,627.39 \$301,143,259.85

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(UNAUDITED)

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|---|-----------------------|-----------------------|
| <b>Deferred Outflows of Resources:</b>      | <b>2018</b>           | <b>2017</b>           |
| Pensions                                    | \$ 2,421,142.00       | \$ 2,264,410.00       |
| Unamortized Loss on Debt Refunding          | 3,119,913.30          | 3,314,907.86          |
| Other Postemployment Benefits (OPEB)        | 4,720,653.00          |                       |
| <b>Total Deferred Outflows of Resources</b> | <b>10,261,708.30</b>  | <b>5,579,317.86</b>   |
| <b>Total Assets and Deferred Outflows</b>   | <b>322,550,335.69</b> | <b>306,722,577.71</b> |

**LIABILITIES AND DEFERRED INFLOWS**

|   |                       |                       |
|---|-----------------------|-----------------------|
| <b>Current Liabilities:</b>                   |                       |                       |
| Accounts Payable                              | 7,947,716.37          | 3,625,227.43          |
| Accrued Payroll Payable                       | 4,557,373.13          | 4,457,023.82          |
| Employees' Compensable Leave                  | 279,310.47            | 250,166.23            |
| Net Other Postemployment Benefits Liability   | 59,250.00             |                       |
| Room/Property Deposits                        | 48,347.38             | 63,955.26             |
| Unearned Revenues                             | 34,182,046.54         | 32,190,318.96         |
| Retainages and Contracts                      | 807,479.00            | 176,138.57            |
| Funds Held for Others                         | 188,756.41            | 149,629.91            |
| Due to Other Agencies (SECO Loan)             | 283,278.47            | 277,683.04            |
| Unamortized Premium on 2015A Rev Bonds        | 95,151.81             | 95,151.81             |
| Unamortized Premium on 2016A Rev Bonds        | 585,886.83            | 585,886.83            |
| Revenue Bonds Payable                         | 6,345,000.00          | 6,130,000.00          |
| <b>Total Current Liabilities</b>              | <b>55,379,596.41</b>  | <b>48,001,181.86</b>  |
| <b>Noncurrent Liabilities:</b>                |                       |                       |
| Employees' Compensable Leave                  | 1,531,409.51          | 1,481,481.81          |
| Net Pension Liability                         | 9,321,176.00          | 10,004,773.00         |
| Net Other Postemployment Benefits Liability   | 11,617,701.00         |                       |
| Room/Property Deposits                        | 145,042.16            | 191,865.78            |
| Capital Lease                                 |                       |                       |
| Due to Other Agencies (SECO Loan)             | 423,821.34            | 707,099.81            |
| Unamortized Premium on 2015A Rev Bonds        | 2,378,795.11          | 2,473,946.92          |
| Unamortized Premium on 2016A Rev Bonds        | 9,960,076.11          | 10,545,962.94         |
| Revenue Bonds Payable                         | 136,125,000.00        | 142,470,000.00        |
| <b>Total Noncurrent Liabilities</b>           | <b>171,503,021.23</b> | <b>167,875,130.26</b> |
| <b>Total Liabilities</b>                      | <b>226,882,617.64</b> | <b>215,876,312.12</b> |
| <b>Deferred Inflows of Resources:</b>         |                       |                       |
| Pensions                                      | 1,879,521.00          | 1,136,920.00          |
| Other Postemployment Benefits (OPEB)          | 2,581,830.00          |                       |
| <b>Total Deferred Inflows of Resources</b>    | <b>4,461,351.00</b>   | <b>1,136,920.00</b>   |
| <b>Total Liabilities and Deferred Inflows</b> | <b>231,343,968.64</b> | <b>217,013,232.12</b> |

**NET POSITION**

|   |                         |                         |
|---|-------------------------|-------------------------|
| Net Investment in Capital Assets                            | 56,272,885.37           | 45,540,385.81           |
| Restricted for:   |                         |                         |
| Nonexpendable   | 4,855,816.68            | 4,781,923.71            |
| Expendable:   |                         |                         |
| Capital Projects  | (123,492.27)            | 45,495.73               |
| Restricted by Contributor                                   | 9,698,735.92            | 10,956,559.06           |
| Unrestricted  | 20,502,421.35           | 28,384,981.28           |
| <b>Total Net Position</b>                                   | <b>91,206,367.05</b>    | <b>89,709,345.59</b>    |
| <b>Total Liabilities, Deferred Inflows and Net Position</b> | <b>\$322,550,335.69</b> | <b>\$306,722,577.71</b> |

# 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>2018</u>          | <u>2017</u>          |
|---|----------------------|----------------------|
| Student Tuition and Fees (net of scholarship allowances of \$15,536,778.12 and \$14,117,781.14, respectively) | \$ 35,401,408.08     | \$ 34,010,419.33     |
| Federal Grants  | 1,583,961.25         | 801,496.93           |
| Federal Pass-Through Grants   | 112,428.18           | 135,117.65           |
| State Pass-Through Grants from Other State Agencies   | 4,100,437.95         | 4,238,491.26         |
| Other Grants and Contracts  | 1,243,128.43         | 772,136.76           |
| Sales and Services of Educational Activities  | 1,441,650.94         | 1,482,742.95         |
| Sales and Services of Auxiliary Enterprises   | 13,552,580.89        | 12,155,141.75        |
| Other Operating Revenue   | 1,456,941.79         | 1,662,858.84         |
| <b>Total Operating Revenues</b>   | <u>58,892,537.51</u> | <u>55,258,405.47</u> |

### Operating Expenses:

|                                 |                       |                       |
|---------------------------------|-----------------------|-----------------------|
| Salaries and Wages              | 42,467,837.08         | 41,601,290.84         |
| Payroll Related Costs           | 9,886,331.91          | 13,870,020.15         |
| Professional Fees and Services  | 5,962,406.43          | 5,347,840.23          |
| Travel                          | 2,128,920.79          | 2,027,391.89          |
| Materials and Supplies          | 8,378,379.59          | 7,336,248.30          |
| Communications and Utilities    | 2,613,757.09          | 2,661,128.68          |
| Repairs and Maintenance         | 3,427,203.39          | 3,559,201.91          |
| Rentals and Leases              | 839,390.85            | 490,171.40            |
| Printing and Reproduction       | 365,508.71            | 337,049.30            |
| Depreciation and Amortization   | 13,380,218.81         | 12,988,811.62         |
| Bad Debt Expense                | 140,938.16            | 5,741.99              |
| Interest                        | 832.46                | 1,124.31              |
| Scholarships                    | 12,141,547.17         | 11,824,731.20         |
| <b>Total Operating Expenses</b> | <u>101,733,272.44</u> | <u>102,050,751.82</u> |

### Operating Loss

(42,840,734.93) (46,792,346.35)

### Non-Operating Revenues (Expenses):

|  |                      |                      |
|--|----------------------|----------------------|
| State Appropriations                                 | 21,836,476.00        | 18,522,721.00        |
| Additional State Appropriations                      | 5,536,645.46         | 6,109,491.17         |
| Federal Grants                                       | 10,459,109.85        | 9,523,650.09         |
| Federal Pass-Through Grants                          | 862.56               | 1,286.74             |
| State Pass-Through Grants from Other State Agencies  |                      | 582.45               |
| Gifts  | 4,978,103.66         | 4,300,824.13         |
| Insurance Recovery in Subsequent Year                |                      | 446,875.42           |
| Other Non-Operating Revenues (Expenses)              |                      | 1.46                 |
| Investment Income                                    | 2,255,782.59         | 2,287,642.37         |
| Net Increase (Decrease) in Fair Value of Investments | 1,740,217.49         | 2,875,327.88         |
| Debt Issuance Costs                                  |                      | (751,559.69)         |
| Net Book Value of Capital Asset Disposals            | (232,087.58)         | (317,069.37)         |
| Interest Expense on Capital Asset Financing          | (2,918,263.69)       | (4,327,792.88)       |
| <b>Total Non-Operating Revenues (Expenses)</b>       | <u>43,656,846.34</u> | <u>38,671,980.77</u> |

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

816,111.41 (8,120,365.58)



|   | <u>2018</u>                   | <u>2017</u>                   |
|---|-------------------------------|-------------------------------|
| Capital Contributions                     | \$ 10,875,249.98              | \$ 291,161.71                 |
| HEAF Appropriation                        | 5,061,412.00                  | 5,061,412.00                  |
| Additions to Endowments                   | 60,005.63                     | 84,271.95                     |
| Transfers In                              | 572,880.04                    | 1,797,324.86                  |
| Transfers Out                             | (1,112,063.43)                | (977,144.29)                  |
| Legislative Transfers In                  | 102,645.00                    | 4,625,780.00                  |
| Legislative Appropriations Lapsed         | <u>(1,248,800.17)</u>         | <u>(1,077,905.74)</u>         |
| Increase (Decrease) in Net Position       | 15,127,440.46                 | 1,684,534.91                  |
| Net Position, Beginning of Year           | 89,709,345.59                 | 88,024,810.68                 |
| Restatements                              | (13,630,419.00)               |                               |
| Net Position, Beginning of Year, Restated | 76,078,926.59                 | 88,024,810.68                 |
| <b>Net Position, End of Year</b>          | <b><u>\$91,206,367.05</u></b> | <b><u>\$89,709,345.59</u></b> |

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

# Midwestern State University

Unaudited

Midwestern State University  
Matrix of Operating Expenses Reported by Function  
For the Year Ended August 31, 2018

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|                                 | Total<br>Operating<br>Expenses | Instruction            | Research            | Public<br>Service   | Academic<br>Support   |
|---------------------------------|--------------------------------|------------------------|---------------------|---------------------|-----------------------|
| Salaries and Wages              | \$ 42,467,837.08               | \$22,639,945.18        | \$492,719.23        | \$369,078.46        | \$3,488,269.07        |
| Payroll Related Costs           | 9,886,331.91                   | 4,968,415.97           | 73,086.04           | 77,171.17           | 931,342.71            |
| Professional Fees and Services  | 5,962,406.43                   | 808,991.50             | 55,121.87           | 42,997.03           | 1,672,504.83          |
| Travel                          | 2,128,920.79                   | 998,298.94             | 74,708.77           | 16,667.64           | 301,392.14            |
| Materials and Supplies          | 8,378,379.59                   | 838,131.06             | 160,585.58          | 96,276.59           | 797,699.66            |
| Communications and Utilities    | 2,613,757.09                   | 91,969.34              | 763.74              | 1,910.12            | 55,339.82             |
| Repairs and Maintenance         | 3,427,203.39                   | 170,109.25             | 7,192.84            | 39,669.64           | 1,277,874.25          |
| Rentals and Leases              | 839,390.85                     | 82,764.45              | 1,635.00            | 57,943.99           | 348,057.13            |
| Printing and Reproduction       | 365,508.71                     | 36,769.70              | 1,762.62            | 11,157.51           | 167,012.66            |
| Depreciation and Amortization   | 13,380,218.81                  |                        |                     |                     |                       |
| Bad Debt Expense                | 140,938.16                     |                        |                     |                     |                       |
| Interest                        | 832.46                         | 44.92                  |                     |                     | 35.67                 |
| Scholarships                    | 12,141,547.17                  |                        |                     |                     |                       |
| <b>Total Operating Expenses</b> | <b>\$101,733,272.44</b>        | <b>\$30,635,440.31</b> | <b>\$867,575.69</b> | <b>\$712,872.15</b> | <b>\$9,039,527.94</b> |

Midwestern State University  
Matrix of Operating Expenses Reported by Function  
For the Year Ended August 31, 2017

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|                                 | Total<br>Operating<br>Expenses | Instruction            | Research            | Public<br>Service   | Academic<br>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                  |                        |                     |                     |                       |
| <b>Total Operating Expenses</b> | <b>\$102,050,751.82</b>        | <b>\$32,224,033.21</b> | <b>\$878,115.74</b> | <b>\$788,629.71</b> | <b>\$7,783,402.18</b> |

Year  
Ended  
8-31-2018  
(UNAUDITED)

| <u>Student Services</u> | <u>Institutional Support</u> | <u>Operation &amp; Maintenance</u> | <u>Scholarships</u>    | <u>Auxiliary Enterprises</u> | <u>Depreciation</u>    |
|-------------------------|------------------------------|------------------------------------|------------------------|------------------------------|------------------------|
| \$ 6,229,254.54         | \$4,649,893.36               | \$3,267,905.98                     |                        | \$1,330,771.26               |                        |
| 1,504,473.80            | 907,643.35                   | 1,189,589.13                       |                        | 234,609.74                   |                        |
| 1,667,929.51            | 73,499.78                    | 191,556.16                         |                        | 1,449,805.75                 |                        |
| 595,706.12              | 115,006.15                   | 1,234.81                           |                        | 25,906.22                    |                        |
| 1,080,257.56            | 983,253.55                   | 1,050,257.98                       |                        | 3,371,917.61                 |                        |
| 371,410.00              | (167,413.16)                 | 1,206,144.31                       |                        | 1,053,632.92                 |                        |
| 175,984.78              | 813,045.16                   | (182,783.64)                       |                        | 1,126,111.11                 |                        |
| 222,466.96              | 56,252.41                    | 40,874.46                          |                        | 29,396.45                    |                        |
| 228,870.27              | (89,954.21)                  | 2,214.84                           |                        | 7,675.32                     |                        |
|                         |                              |                                    |                        |                              | \$13,380,218.81        |
| 140,938.16              |                              |                                    |                        |                              |                        |
| (22.75)                 | 81.48                        | 645.82                             |                        | 47.32                        |                        |
|                         |                              |                                    | \$12,141,547.17        |                              |                        |
| <b>\$12,217,268.95</b>  | <b>\$7,341,307.87</b>        | <b>\$6,767,639.85</b>              | <b>\$12,141,547.17</b> | <b>\$8,629,873.70</b>        | <b>\$13,380,218.81</b> |

| <u>Student Services</u> | <u>Institutional Support</u> | <u>Operation &amp; 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        |                              |                        |
| <b>\$12,739,587.23</b>  | <b>\$7,620,102.71</b>        | <b>\$7,203,675.14</b>              | <b>\$11,824,731.20</b> | <b>\$7,999,663.08</b>        | <b>\$12,988,811.62</b> |

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>2018</u>            | <u>2017</u>            |
|--|------------------------|------------------------|
| <b>Cash Flows from Operating Activities:</b>                         |                        |                        |
| Proceeds Received from Students                                      | \$ 35,997,480.43       | \$ 34,505,301.79       |
| Proceeds Received for Sponsored Programs                             | 7,589,151.18           | 6,316,433.79           |
| Proceeds Received from Auxiliary Enterprises                         | 13,956,073.79          | 13,471,423.93          |
| Proceeds From Loan Programs  | 2,331.80               | 1,874.52               |
| Proceeds From Other Revenues   | 2,898,592.73           | 3,145,601.79           |
| Payments to Employees  | (56,366,610.74)        | (55,549,528.70)        |
| Payments to Suppliers for Goods and Services                         | (17,767,571.38)        | (25,757,606.44)        |
| Payments for Scholarships  | (12,429,882.14)        | (11,575,461.89)        |
| Payments for Interest  | (832.46)               | (1,124.31)             |
| <b>Net Cash Provided (Used) by Operating Activities</b>              | <u>(26,121,266.79)</u> | <u>(35,443,085.52)</u> |
| <b>Cash Flows from Noncapital Financing Activities:</b>              |                        |                        |
| Proceeds from State Appropriations                                   | 26,346,004.04          | 23,550,742.19          |
| Proceeds from Endowment Gifts  | 60,005.63              | 84,271.95              |
| Proceeds from Gifts  | 4,491,156.66           | 3,898,476.60           |
| Proceeds (Payments) from Other Noncapital Financing Activities       |                        | (304,682.81)           |
| Proceeds from Non-operating Grants                                   | 10,459,972.41          | 9,525,519.28           |
| Transfers in from Other Funds  | 161,808.00             | 4,775,757.00           |
| Transfers out to Other Funds   | (1,112,063.43)         | (977,144.29)           |
| <b>Net Cash Provided by Noncapital Financing Activities</b>          | <u>40,406,883.31</u>   | <u>40,552,939.92</u>   |
| <b>Cash Flows from Capital and Related Financing Activities:</b>     |                        |                        |
| Proceeds from Debt Issuance  |                        | 59,151,559.69          |
| Proceeds from Capital Gifts  | 200,000.00             | 279,683.00             |
| Proceeds from HEAF Appropriations                                    | 5,061,412.00           | 5,061,412.00           |
| Proceeds From Interest on Capital Investments                        | 510,717.17             | 530,888.40             |
| Payments for Additions to Capital Assets                             | (24,670,831.59)        | (10,346,088.26)        |
| Principal Paid on Capital Related Debt                               | (7,088,721.68)         | (6,768,461.62)         |
| Interest Paid on Capital Related Debt                                | (2,759,458.01)         | (5,541,647.42)         |
| <b>Net Cash Provided by Capital and Related Financing Activities</b> | <u>(28,746,882.11)</u> | <u>42,367,345.79</u>   |
| <b>Cash Flows from Investing Activities:</b>                         |                        |                        |
| Proceeds from Interest and Investment Income                         | 2,578,542.20           | 3,018,774.73           |
| Proceeds from Sales and Maturities of Investments                    | 39,493,139.04          | 42,093,610.07          |
| Payments to Acquire Investments                                      | (26,973,413.44)        | (92,740,192.29)        |
| <b>Net Cash Provided (Used) by Investing Activities</b>              | <u>15,098,267.80</u>   | <u>(47,627,807.49)</u> |
| Increase (Decrease) in Cash and Cash Equivalents                     | 637,002.21             | (150,607.30)           |
| Cash and Cash Equivalents, Beginning of Year                         | <u>7,967,497.68</u>    | <u>8,118,104.98</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                        | <u>\$ 8,604,499.89</u> | <u>\$ 7,967,497.68</u> |

Year  
Ended  
8-31-2018  
(UNAUDITED)

|   | <u>2018</u>              | <u>2017</u>              |
|---|--------------------------|--------------------------|
| <b>Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Position:</b>     |                          |                          |
| <b>Current Assets:</b>  |                          |                          |
| Cash On Hand  | \$ 16,750.00             | \$ 17,600.00             |
| Cash In Bank  | 1,991,746.59             | 282,063.36               |
| Cash in State Treasury  | 2,724,644.20             | 2,896,567.01             |
| <b>Restricted:</b>  |                          |                          |
| Cash In Bank  | 3,871,359.10             | 4,771,267.31             |
|   | <u>\$ 8,604,499.89</u>   | <u>\$ 7,967,497.68</u>   |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                          |                          |
| Operating Income (Loss)   | \$(42,840,734.93)        | \$(46,792,346.35)        |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:          |                          |                          |
| Amortization and Depreciation   | 13,380,218.81            | 12,988,811.62            |
| Bad Debt Expense  | 140,938.16               | 5,741.99                 |
| Net Pension Expense Reported in Payroll Related Costs & Professional Fees                             | (97,728.00)              | 150,491.00               |
| Net OPEB Expense Reported in Payroll Related Costs  | (4,092,291.00)           |                          |
| Donations of Non-Capital Assets   | 956,366.25               | 696,852.12               |
| (Increase) Decrease in Receivables  | (440,635.16)             | (961,778.79)             |
| (Increase) Decrease in Inventories  | (233.03)                 | 7,901.26                 |
| (Increase) Decrease in Prepaid Expenses   | (265,029.97)             | 251,863.87               |
| Increase (Decrease) in Payables   | 5,027,936.06             | (4,955,064.14)           |
| Increase (Decrease) in Unearned Revenues  | 1,991,727.58             | 3,144,009.14             |
| Increase (Decrease) in Compensated Absences Liability   | 79,071.94                | 21,965.82                |
| Increase (Decrease) in Other Liabilities  | 39,126.50                | (1,533.06)               |
| Total Adjustments   | <u>16,719,468.14</u>     | <u>11,349,260.83</u>     |
| Net Cash Used by Operating Activities   | <u>\$(26,121,266.79)</u> | <u>\$(35,443,085.52)</u> |
| Non Cash Transactions   |                          |                          |
| Net Increase (Decrease) in FMV of Investments   | \$ 1,740,217.49          | \$ 2,875,327.88          |
| (Loss) Gain on Asset Disposals  | (232,087.58)             | (317,069.37)             |
| Donation of Capital Assets  | 10,675,249.98            | 11,161.71                |
| Refunding of Long Term Debt   |                          | 33,035,000.00            |
| Transfer in on Master Lease Purchase Program  | 513,717.04               | 1,647,347.86             |

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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# Midwestern State University

## Notes To The Financial Statements - Unaudited

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

### Net Position

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

### Restricted Net Position

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

### Unrestricted Net Position

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

### Cash and Cash Equivalents

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

### Investments

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

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

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

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

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 1: Continued**

**Restricted Assets**

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

**Inventories**

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

**Net Investment in Capital Assets**

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

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

| Type of Capital Asset               | Capitalization Threshold | Range of Useful Life<br>(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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# Midwestern State University

## Notes To The Financial Statements - Unaudited

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### Deferred Outflows and Inflows of Resources

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

The implementation of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, resulted in deferred outflows and deferred inflows of resources related to the new pension and other postemployment benefits (OPEB) 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 54.

### Other Significant Accounting Policies

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

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2018, is presented below.

| BUSINESS-TYPE ACTIVITIES                                   | Balance<br>09/01/17            | Adjustment           | Reclassifications<br>Completed<br>CIP |
|--|--------------------------------|----------------------|---------------------------------------|
| <b><u>Non-depreciable or Non-Amortizable Assets:</u></b>   |                                |                      |                                       |
| Land and Land Improvements                                 | \$ 5,946,107.70                |                      |                                       |
| Construction in Progress                                   | 4,992,962.50                   |                      |                                       |
| Other Tangible Capital Assets                              | 3,533,965.30                   |                      |                                       |
| Total Non-depreciable Assets or<br>Non-Amortizable Assets: | <u>14,473,035.50</u>           | <u>\$0.00</u>        | <u>\$0.00</u>                         |
| <b><u>Depreciable Assets:</u></b>                          |                                |                      |                                       |
| Buildings and Building Improvements                        | 234,498,048.31                 |                      |                                       |
| Infrastructure   | 13,351,147.45                  |                      |                                       |
| Facilities and Other Improvements                          | 13,732,746.31                  |                      |                                       |
| Furniture and Equipment                                    | 14,465,988.97                  |                      |                                       |
| Vehicles   | 1,881,543.98                   |                      |                                       |
| Other Capital Assets                                       | 11,421,623.32                  |                      |                                       |
| Total Depreciable Assets:                                  | <u>289,351,098.34</u>          | <u>0.00</u>          | <u>0.00</u>                           |
| Less Accumulated Depreciation for:                         |                                |                      |                                       |
| Buildings and Building Improvements                        | (118,369,974.29)               |                      |                                       |
| Infrastructure   | (7,248,827.43)                 |                      |                                       |
| Facilities and Other Improvements                          | (5,566,519.98)                 |                      |                                       |
| Furniture and Equipment                                    | (11,878,464.18)                |                      |                                       |
| Vehicles   | (1,227,751.79)                 |                      |                                       |
| Other Capital Assets                                       | (10,147,217.91)                |                      |                                       |
| Total Accumulated Depreciation                             | <u>(154,438,755.58)</u>        | <u>0.00</u>          | <u>0.00</u>                           |
| Depreciable Assets, Net                                    | <u>134,912,342.76</u>          | <u>0.00</u>          | <u>0.00</u>                           |
| <b><u>Amortizable Assets - Intangible</u></b>              |                                |                      |                                       |
| Computer Software  | 10,730,009.48                  |                      |                                       |
| Total Amortizable Assets - Intangible                      | 10,730,009.48                  | 0.00                 | 0.00                                  |
| Less Accumulated Amortization for:                         |                                |                      |                                       |
| Computer Software  | (10,536,052.06)                |                      |                                       |
| Total Accumulated Amortization                             | <u>(10,536,052.06)</u>         | <u>0.00</u>          | <u>0.00</u>                           |
| Amortizable Assets - Intangible, Net                       | <u>193,957.42</u>              | <u>0.00</u>          | <u>0.00</u>                           |
| <b>Business-Type Activities Capital Assets, Net</b>        | <b><u>\$149,579,335.68</u></b> | <b><u>\$0.00</u></b> | <b><u>\$0.00</u></b>                  |

| Additions              | Deletions             | Balance<br>08/31/18     |
|------------------------|-----------------------|-------------------------|
| \$ 310,282.74          | \$ (43,500.00)        | \$ 6,212,890.44         |
| 21,434,066.14          |                       | 26,427,028.64           |
|                        |                       | 3,533,965.30            |
| <u>21,744,348.88</u>   | <u>(43,500.00)</u>    | <u>36,173,884.38</u>    |
| 976,756.37             | (699,352.41)          | 234,775,452.27          |
|                        |                       | 13,351,147.45           |
| 798,532.56             |                       | 14,531,278.87           |
| 1,764,619.56           | (489,749.52)          | 15,740,859.01           |
| 107,822.00             | (68,819.74)           | 1,920,546.24            |
| 113,585.26             | (447,113.65)          | 11,088,094.93           |
| <u>3,761,315.75</u>    | <u>(1,705,035.32)</u> | <u>291,407,378.77</u>   |
| (9,926,643.59)         | 515,815.33            | (127,780,802.55)        |
| (477,281.04)           |                       | (7,726,108.47)          |
| (547,729.65)           |                       | (6,114,249.63)          |
| (734,606.42)           | 484,699.02            | (12,128,371.58)         |
| (155,294.00)           | 68,819.74             | (1,314,226.05)          |
| (232,868.10)           | 447,113.65            | (9,932,972.36)          |
| <u>(12,074,422.80)</u> | <u>1,516,447.74</u>   | <u>(164,996,730.64)</u> |
| <u>(8,313,107.05)</u>  | <u>(188,587.58)</u>   | <u>126,410,648.13</u>   |
| 10,354,133.98          |                       | 21,084,143.46           |
| <u>10,354,133.98</u>   | 0.00                  | 21,084,143.46           |
| (1,305,796.01)         |                       | (11,841,848.07)         |
| <u>(1,305,796.01)</u>  | 0.00                  | <u>(11,841,848.07)</u>  |
| 9,048,337.97           | 0.00                  | 9,242,295.39            |
| <u>\$22,479,579.80</u> | <u>\$(232,087.58)</u> | <u>\$171,826,827.90</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 \$9,918,701.69 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, 2018 were \$28,049,543.70 and \$13,042,278.52, respectively. Additional information about these investments is disclosed separately on pages 33-38.

| <b>Carrying Amount of Deposits of Cash in Bank as of August 31</b> | <u><b>2018</b></u>           | <u><b>2017</b></u>           |
|--|------------------------------|------------------------------|
| Cash on Hand   | \$ 16,750.00                 | \$ 17,600.00                 |
| Cash in Bank   | 5,863,105.69                 | 5,053,330.67                 |
| Cash in State Treasury   | <u>2,724,644.20</u>          | <u>2,896,567.01</u>          |
| <b>Total Cash and Cash Equivalents</b>                             | <u><b>\$8,604,499.89</b></u> | <u><b>\$7,967,497.68</b></u> |

| <b>Carrying Amount of Cash Deposits as of August 31 by Balance Sheet Category</b> |                              |                              |
|---|------------------------------|------------------------------|
| <b>Current Assets—Cash and Cash Equivalents:</b>                                  |                              |                              |
| Cash on Hand  | \$ 16,750.00                 | \$ 17,600.00                 |
| Cash in Bank  | 1,991,746.59                 | 282,063.36                   |
| Cash in State Treasury  | 2,724,644.20                 | 2,896,567.01                 |
| <b>Current Assets— Restricted Cash and Cash Equivalents:</b>                      |                              |                              |
| Cash in Bank  | <u>3,871,359.10</u>          | <u>4,771,267.31</u>          |
| <b>Total Cash and Cash Equivalents</b>  | <u><b>\$8,604,499.89</b></u> | <u><b>\$7,967,497.68</b></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, 2018 was \$7,363,704.38. \$250,000 of this amount was covered by FDIC Insurance, and \$7,113,704.38 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 value of securities pledged as collateral as of August 31, 2018 was reported by the custodian as \$7,395,709.12 or 103.96% of the university's uninsured bank deposits.

MSU 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, 2018 was \$42,557,009.92. 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, 2018 was \$46,691,106.27, or 105.39% of the value of the investments in the flexible repurchase agreement.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

| <b>Fair Value of Investments as of August 31 by Investment Type</b>        | <b><u>2018</u></b>             | <b><u>2017</u></b>             |
|--|--------------------------------|--------------------------------|
| U.S. Government Agency Obligations   | \$ 194,187.80                  | \$ 243,359.32                  |
| Corporate Bonds  | 2,960,540.69                   | 2,235,155.00                   |
| Equities   | 6,452,731.49                   | 6,330,886.16                   |
| Other Commingled Funds—Texas A&M System Investment Pool*                   | 41,091,822.22                  | 38,717,976.27                  |
| Other Commingled Funds—Texpool   | 2,556,253.09                   | 4,014,803.23                   |
| Other Commingled Funds—LOGIC   | 4,091,550.60                   | 4,036,163.18                   |
| Other Commingled Funds—Texas Class   | 4,098,876.16                   | 4,041,742.85                   |
| Other Commingled Funds—Goldman Sachs                                       | 459,401.72                     | 76,988.43                      |
| Flexible Repurchase Agreements   | 42,557,009.92                  | 56,238,187.55                  |
| Alternative Investments (including hedge funds)                            | 433,115.39                     | 565,998.84                     |
| <b>Total Investments</b>   | <b><u>\$104,895,489.08</u></b> | <b><u>\$116,501,260.83</u></b> |
| <br>   |                                |                                |
| <b>Fair Value of Investments as of August 31 by Balance Sheet Category</b> |                                |                                |
| Current Assets—Short-Term Investments                                      | \$ 11,712,495.28               | \$ 12,822,554.32               |
| Non-Current Assets—Restricted Short Term Investments                       | 42,050,596.21                  | 55,585,330.92                  |
| Non-Current Assets—Restricted Investments                                  | 2,840,890.02                   | 2,742,442.87                   |
| Non-Current Assets—Other Long Term Investments                             | 48,291,507.57                  | 45,350,932.72                  |
| <b>Total Investments</b>   | <b><u>\$104,895,489.08</u></b> | <b><u>\$116,501,260.83</u></b> |

\*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, 2018 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, 2018 NAV by the estimated performance as of August 31, 2018 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<br>August 31, 2018 |
|--|----------------------|----------------|-------------------|----------------|-------------------------------------|
| Investment Type  | Level 1 Inputs       | Level 2 Inputs | Level 3<br>Inputs | NAV            |                                     |
| U.S. Government Agency Obligations                         |                      | \$ 194,187.80  |                   |                | \$ 194,187.80                       |
| Corporate Bonds  |                      | 2,960,540.69   |                   |                | 2,960,540.69                        |
| Equities   | \$6,452,731.49       |                |                   |                | 6,452,731.49                        |
| Other Commingled Funds - Texas A&M System Investment Pool* |                      |                |                   |                | 41,091,822.22                       |
| Other Commingled Funds - Texpool                           |                      |                |                   | \$2,556,253.09 | 2,556,253.09                        |
| Other Commingled Funds - LOGIC                             |                      |                |                   | 4,091,550.60   | 4,091,550.60                        |
| Other Commingled Funds - Texas Class                       |                      |                |                   | 4,098,876.16   | 4,098,876.16                        |
| Other Commingled Funds - Goldman Sachs                     |                      |                |                   | 459,401.72     | 459,401.72                          |
| Flexible Repurchase Agreements                             |                      |                |                   | 42,557,009.92  | 42,557,009.92                       |
| Alternative Investments (including hedge funds)            |                      | 285,747.00     | \$147,368.39      |                | 433,115.39                          |
| <b>Total Investments</b>                                   |                      |                |                   |                | <b>\$104,895,489.08</b>             |

\*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, 2018, 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) | \$ 194,187.80 |              |               |                |
| Corporate Bonds  |               | \$752,612.94 | \$ 252,622.80 | \$1,955,304.95 |
| Commingled Funds—Texpool and LOGIC                           | 10,746,679.85 |              |               |                |

| Investment Type                                 | BB | B | Collateralized   | Not Rated     |
|---|----|---|------------------|---------------|
| Other Commingled Funds—Goldman Sachs            |    |   |                  | \$ 459,401.72 |
| Flexible Repurchase Agreements                  |    |   | \$ 42,557,009.92 |               |
| Equities  |    |   |                  | 6,452,731.49  |
| Alternative Investments (including hedge funds) |    |   |                  | 433,115.39    |

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2018, 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, 2018, were as follows:

| <u>Investment Type</u>             | <u>Fair Value</u> | <u>Modified Duration</u> |
|------------------------------------|-------------------|--------------------------|
| U.S. Government Agency Obligations | \$ 194,187.80     | 3.89                     |
| Corporate Bonds                    | 2,960,540.69      | 4.52                     |

### 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, 2018 is presented below:

| <u>Investment Type</u>   | <u>LT CCP</u>          | <u>SEF</u>             | <u>Total Combined Fair Value</u> |
|--|------------------------|------------------------|----------------------------------|
| U.S. Treasury Securities   | \$ 1,857,117.11        | \$ 246,142.68          | \$ 2,103,259.79                  |
| U.S. Treasury TIPS   | 97,336.20              | 24,897.53              | 122,233.73                       |
| U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.) | 1,073,954.23           | 226,813.26             | 1,300,767.49                     |
| Corporate Obligations  | 2,667,084.62           | 538,489.57             | 3,205,574.19                     |
| Corporate Asset and Mortgage-Backed Securities                                 | 1,341,258.83           | 242,351.17             | 1,583,610.00                     |
| Equity (Domestic)  | 5,559,102.61           | 2,299,285.77           | 7,858,388.38                     |
| International Obligations (Govt and Corp)                                      | 1,646,056.73           | 242,757.61             | 1,888,814.34                     |
| International Equity   | 3,744,339.62           | 1,607,556.49           | 5,351,896.11                     |
| Fixed Income Money Market and Bond Mutual Funds                                | 420,285.16             | 246,973.56             | 667,258.72                       |
| Mutual Funds—International Equity (registered with SEC)                        | 3,120,255.08           | 1,193,303.16           | 4,313,558.24                     |
| Other Commingled Funds—Fixed Income  | 336,492.07             | 153,991.70             | 490,483.77                       |
| Derivatives  | (93.20)                | (46.92)                | (140.12)                         |
| <u>Alternative Investments:</u>  |                        |                        |                                  |
| Hedge Funds—Domestic   | 2,844,411.12           | 945,423.93             | 3,789,835.05                     |
| Hedge Funds—International  | 3,323,461.67           | 1,163,615.43           | 4,487,077.10                     |
| Limited Partnerships—Private Equity  |                        | 1,537,578.04           | 1,537,578.04                     |
| Limited Partnerships—International Private Equity                              |                        | 1,056,651.21           | 1,056,651.21                     |
| Limited Partnerships—Real Estate   |                        | 295,624.89             | 295,624.89                       |
| Limited Partnerships—International Real Estate                                 |                        | 12,101.33              | 12,101.33                        |
| Limited Partnerships—Natural Resources   |                        | 1,075,571.84           | 1,075,571.84                     |
| Limited Partnerships—International Natural Resources                           |                        | 82,500.75              | 82,500.75                        |
| <u>Miscellaneous:</u>  |                        |                        |                                  |
| Political Subdivisions   | 3,615.61               |                        | 3,615.61                         |
| <b>Total Investments</b>   | <b>\$28,034,677.46</b> | <b>\$13,191,583.00</b> | <b>\$41,226,260.46</b>           |

# Midwestern State University

## Notes To The Financial Statements - Unaudited

| Investment Type  | Fair Value Hierarchy |                |                |                |     | Fair Value as of August 31, 2018 |
|--|----------------------|----------------|----------------|----------------|-----|----------------------------------|
|  | Level 1 Inputs       | Level 2 Inputs | Level 3 Inputs | Amortized Cost | NAV |                                  |
| U.S. Treasury Securities   | \$2,103,259.79       |                |                |                |     | \$ 2,103,259.79                  |
| U.S. Treasury TIPS   | 122,233.73           |                |                |                |     | 122,233.73                       |
| U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)   |                      | \$1,300,767.49 |                |                |     | 1,300,767.49                     |
| Corporate Obligations  |                      | 3,205,574.19   |                |                |     | 3,205,574.19                     |
| Corporate Asset and Mortgage-Backed Securities                                   |                      | 1,583,610.00   |                |                |     | 1,583,610.00                     |
| Equity (Domestic)  | 7,858,388.38         |                |                |                |     | 7,858,388.38                     |
| International Obligations (Govt and Corp)  |                      | 1,888,814.34   |                |                |     | 1,888,814.34                     |
| International Equity   | 5,351,896.11         |                |                |                |     | 5,351,896.11                     |
| Fixed Income Money Market and Bond Mutual Funds                                  |                      |                |                | \$667,258.72   |     | 667,258.72                       |
| Mutual Funds—International Equity (registered with SEC)                          | 2,995,751.55         |                | \$1,317,806.69 |                |     | 4,313,558.24                     |
| Other Commingled Funds—Fixed Income  | 238,188.71           |                | 252,295.06     |                |     | 490,483.77                       |
| Derivatives  |                      | (140.12)       |                |                |     | (140.12)                         |
| <u>Alternative Investments:</u>  |                      |                |                |                |     |                                  |
| Hedge Funds—Domestic   |                      |                |                | \$3,789,835.05 |     | 3,789,835.05                     |
| Hedge Funds—International  |                      |                |                | 4,487,077.10   |     | 4,487,077.10                     |
| Limited Partnerships—Private Equity  |                      |                |                | 1,537,578.04   |     | 1,537,578.04                     |
| Limited Partnerships—International Private Equity                                |                      |                |                | 1,056,651.21   |     | 1,056,651.21                     |
| Limited Partnerships—Real Estate   |                      |                |                | 295,624.89     |     | 295,624.89                       |
| Limited Partnerships—International Real Estate                                   |                      |                |                | 12,101.33      |     | 12,101.33                        |
| Limited Partnerships—Natural Resources   |                      |                |                | 1,075,571.84   |     | 1,075,571.84                     |
| Limited Partnerships—International Natural Resources                             |                      |                |                | 82,500.75      |     | 82,500.75                        |
| <u>Miscellaneous:</u>  |                      |                |                |                |     |                                  |
| Political Subdivisions   |                      | 3,615.61       |                |                |     | 3,615.61                         |
| <b>Total Investments</b>   |                      |                |                |                |     | <b>\$41,226,260.46</b>           |
| <b>Fair Value of Investments as of August 31, 2018 by Balance Sheet Category</b> |                      |                |                |                |     |                                  |
| Foreign Currency presented as Cash   |                      |                |                |                |     | \$ 5,283.39                      |
| Cash   |                      |                |                |                |     | 61.75                            |
| <u>Receivables:</u>  |                      |                |                |                |     |                                  |
| Int/Dividends Receivable   |                      |                |                |                |     | 98,731.31                        |
| Foreign Currency Fluctuations—Receivable   |                      |                |                |                |     | (186.61)                         |
| FFX Contract Receivable  |                      |                |                |                |     | 48,012.12                        |
| Pending Sale   |                      |                |                |                |     | 25,743.47                        |
| <u>Payables:</u>   |                      |                |                |                |     |                                  |
| Payable for Manager Fees   |                      |                |                |                |     | (17,252.18)                      |
| Payable for 4th quarter SEF distribution   |                      |                |                |                |     | (143,367.03)                     |
| Foreign Currency Fluctuations—Payable  |                      |                |                |                |     | 8.91                             |
| FFX Contract Payable   |                      |                |                |                |     | (48,012.12)                      |
| Pending Purchase   |                      |                |                |                |     | (103,286.09)                     |
| Other Payables   |                      |                |                |                |     | (173.14)                         |
| Rounding due to allocation   |                      |                |                |                |     | (2.02)                           |
| Total Cash and Accruals  |                      |                |                |                |     | (134,438.24)                     |
| Investments (detailed on page 33 and above by Investment Type)                   |                      |                |                |                |     | 41,226,260.46                    |
| <b>Net Asset Value</b>   |                      |                |                |                |     | <b>\$41,091,822.22</b>           |

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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                                 | \$3,789,835.05 | Quarterly           | Semi-annually        |
| Hedge Funds - International                            | 4,487,077.10   | Quarterly           | Semi-annually        |
| Limited Partnerships - Private Equity                  | 1,537,578.04   | N/A                 | N/A                  |
| Limited Partnerships - International Private Equity    | 1,056,651.21   | N/A                 | N/A                  |
| Limited Partnerships - Real Estate                     | 295,624.89     | N/A                 | N/A                  |
| Limited Partnerships - International Real Estate       | 12,101.33      | N/A                 | N/A                  |
| Limited Partnerships - Natural Resources               | 1,075,571.84   | N/A                 | N/A                  |
| Limited Partnerships - International Natural Resources | 82,500.75      | 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                 | 2 years                  | \$119,980.57 |          |
| Hedge Funds - International                         | 65 days                 | 2 years                  | 139,492.98   |          |
| Limited Partnerships - Private Equity               | N/A                     | N/A                      | 306,786.00   |          |
| Limited Partnerships - International Private Equity | N/A                     | N/A                      | 421,399.00   |          |
| Limited Partnerships - Real Estate                  | N/A                     | N/A                      | 426,625.00   |          |
| Limited Partnerships - International Real Estate    | N/A                     | N/A                      | 176,848.00   |          |
| Limited Partnerships - Natural Resources            | N/A                     | N/A                      | 495,702.00   |          |
| Limited Partnerships - International Natural        | N/A                     | N/A                      | 8,700.00     |          |

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**Note 3: Continued**

### Investments Exposed to Credit Risk

| Investment Type                                | AAA          | AA             | A            | BBB          |
|--|--------------|----------------|--------------|--------------|
| U.S. Government Agency Obligations             |              | \$1,244,395.63 |              | \$ 16,296.78 |
| Corporate Obligations                          | \$ 76,998.53 | 217,668.39     | \$567,336.52 | 1,774,183.78 |
| Corporate Asset and Mortgage-Backed Securities | 211,883.72   | 202,459.62     | 184,364.31   | 16,514.88    |
| International Obligations                      | 201,416.87   | 156,673.08     | 301,729.81   | 698,022.54   |
| Fixed Income Money Market & Bond Mutual Fund   | 667,258.72   |                |              |              |

| Investment Type                              | BB           | B             | CCC | Not Rated    |
|--|--------------|---------------|-----|--------------|
| U.S. Government Agency Obligations           |              |               |     | \$ 40,075.08 |
| Corporate Obligations                        | \$387,451.93 | \$ 125,110.91 |     | 56,824.13    |
| Corporate Asset & Mortgage Backed Securities | 88,473.22    |               |     | 879,914.25   |
| International Obligations                    | 92,530.96    | 25,018.21     |     | 413,422.87   |
| Other Commingled Funds - Fixed Income        |              |               |     | 490,483.77   |
| Miscellaneous (municipals and CDs)           |              |               |     | 3,615.61     |

### 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 | \$1,760,720.20                                  | \$1,963,514.30        | \$4,313,558.24                     |
| 05           | 9999      | Australian Dollar                          |   | 78,269.87             |                                    |
| 05           | 9999      | Brazil Real                                |   | 68,330.05             |                                    |
| 05           | 9999      | British Pound Sterling                     | 7,702.34  | 419,124.79            |                                    |
| 05           | 9999      | Canadian Dollar                            |   | 224,789.12            |                                    |
| 05           | 9999      | Danish Krone                               |   | 29,882.44             |                                    |
| 05           | 9999      | Euro Currency Unit                         | 1,093.69  | 1,059,023.70          |                                    |
| 05           | 9999      | Hong Kong Dollar                           |   | 117,863.04            |                                    |
| 05           | 9999      | Japanese Yen                               |   | 601,399.45            |                                    |
| 05           | 9999      | Mexican Peso                               | 28,133.27                                       |                       |                                    |
| 05           | 9999      | New Taiwan Dollar                          |   | 48,788.41             |                                    |
| 05           | 9999      | New Zealand                                | 91,164.84                                       |                       |                                    |
| 05           | 9999      | Singapore Dollar                           |   | 41,277.60             |                                    |
| 05           | 9999      | South Korean Won                           |   | 70,533.27             |                                    |
| 05           | 9999      | Swedish Krona                              |   | 86,133.34             |                                    |
| 05           | 9999      | Swiss Franc                                |   | 470,781.94            |                                    |
| 05           | 9999      | Thailand Baht                              |   | 54,206.57             |                                    |
| 05           | 9999      | New Turkish Lira                           |   | 17,978.22             |                                    |
| <b>TOTAL</b> |           |  | <b>\$1,888,814.34</b>                           | <b>\$5,351,896.11</b> | <b>\$4,313,558.24</b>              |

# 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 | \$4,487,077.10            | \$ 905,135.87                      | \$82,500.75                             | \$12,101.33                           |
| 05           | 9999      | Euro Currency Unit                         |                           | 151,515.34                         |   |                                       |
| <b>TOTAL</b> |           |  | <b>\$4,487,077.10</b>     | <b>\$1,056,651.21</b>              | <b>\$82,500.75</b>                      | <b>\$12,101.33</b>                    |

### Investments Exposed to Interest Rate Risk

| Investment Types                               | Effective Duration | Unaccrued Market Value System Total |
|--|--------------------|-------------------------------------|
| U.S. Treasury Securities                       | 5.836              | \$ 2,103,259.79                     |
| U.S. Treasury TIPS                             | 6.952              | 122,233.73                          |
| U.S. Government Agency Obligations             | 3.792              | 1,300,767.49                        |
| Corporate Obligations                          | 5.301              | 3,205,574.19                        |
| Corporate Asset and Mortgage Backed Securities | 3.970              | 1,583,610.00                        |
| International Obligations                      | 3.148              | 1,888,814.34                        |
| Other Commingled Funds - Fixed Income          | 2.200              | 490,483.77                          |
| Miscellaneous (political subdivision and CDs)  | 0.816              | 3,615.61                            |
| <b>Total Fair Value</b>                        |                    | <b>\$10,698,358.92</b>              |

#### Derivative Investing

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

The table below summarizes MSU's share of the pending foreign exchange contracts as of August 31, 2018:

| Currency               | Sell               | Buy                | Unrealized Gain on Foreign Exchange Contract | Unrealized Loss on Foreign Exchange Contract |
|------------------------|--------------------|--------------------|--|--|
| Australian Dollar      |                    | \$ 795.39          | \$ 0.53                                      |  |
| British Pound Sterling | \$21,525.48        | 2,322.17           | 0.51   | \$130.37                                     |
| Canadian Dollar        |                    | 3,683.38           | 1.84   | 3.65   |
| Danish Krone           |                    | 341.66             |  | 0.44   |
| Euro                   | 4,499.26           | 6,808.33           | 15.08  | 9.57   |
| Hong Kong Dollar       |                    | 1,593.69           | 0.06   |  |
| Japanese Yen           |                    | 1,488.21           |  | 1.83   |
| Singapore Dollar       |                    | 469.63             | 0.16   |  |
| Swedish Krona          |                    | 696.03             |  | 0.80   |
| Swiss Franc            |                    | 1,846.59           | 1.14   |  |
| Turkish Lira           |                    | 1,942.30           |  | 12.78  |
|                        | <b>\$26,024.74</b> | <b>\$21,987.38</b> | <b>\$19.32</b>                               | <b>\$159.44</b>                              |

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# 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, 2018 was \$19.32, 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, 2018 was as follows:

| Notional Amount    | Assets Fair Value as of August 31, 2018 | Liabilities Fair Value as of August 31, 2018 | S&P Counterparty Rating |
|--------------------|---|--|-------------------------|
| \$16,070.08        |   | \$ 48.30                                     | AA-                     |
| 1,130.65           | \$ 1.64                                 | 0.80   | A                       |
| 6,715.37           |   | 10.01  | A+                      |
| 11,875.32          | 9.99                                    | 97.25  | BBB+                    |
| 1,607.70           |   | 3.08   | A+                      |
| 7,693.67           | 5.69                                    |  | A+                      |
| 2,449.70           | 1.84                                    |  | AA-                     |
| 469.63             | 0.16                                    |  | A                       |
| <b>\$48,012.12</b> | <b>\$19.32</b>                          | <b>\$159.44</b>                              |                         |

**Note 4: Short-Term Debt**

Not Applicable

**Note 5: Long-Term Liabilities**

During the year ended August 31, 2018, the following changes occurred in liabilities:

| Business-Type Activities             | Balance 09-01-17        | Restatement   | Additions           | Reductions            | Balance 08-31-18        |
|--------------------------------------|-------------------------|---------------|---------------------|-----------------------|-------------------------|
| Revenue Bonds Payable                | \$148,600,000.00        |               |                     | \$6,130,000.00        | \$142,470,000.00        |
| Unamortized Premium on Revenue Bonds | 13,700,948.50           |               |                     | 681,038.64            | 13,019,909.86           |
| Subtotal                             | 162,300,948.50          |               |                     | 6,811,038.64          | 155,489,909.86          |
| Compensable Leave                    | 1,731,648.04            |               | \$260,834.60        | 181,762.66            | 1,810,719.98            |
| <b>Total</b>                         | <b>\$164,032,596.54</b> | <b>\$0.00</b> | <b>\$260,834.60</b> | <b>\$6,992,801.30</b> | <b>\$157,300,629.84</b> |

Amounts due within one year are as follows:

| Revenue Bonds Payable | Unamortized Premium on Revenue Bonds | Compensable Leave | Total                 |
|-----------------------|--------------------------------------|-------------------|-----------------------|
| \$6,345,000.00        | \$681,038.64                         | \$279,310.47      | <b>\$7,305,349.11</b> |



# 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 \$1,810,719.98. The university made lump sum payments totaling \$181,762.66 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2018, and payments of \$210,581.27 for August 31, 2017.

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 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—\$1,230,000; Outstanding at Year End—\$1,285,000.

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Year  
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# Midwestern State University

## Notes To The Financial Statements - Unaudited

### **Note 6: Continued**

#### 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—\$195,000; Outstanding at Year End—\$645,000.

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

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the current refunding of \$4,600,000 of the MSU Building Revenue and Refunding Bonds, Series 2002, which were used to pay for campus improvements in heating, ventilating and air conditioning systems, chilled water distribution, street drainage and paving, and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting.
- Issued September 15, 2012
- \$4,710,000; all bonds authorized have been issued.
- Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unappropriated fund balances and unrestricted current funds revenues available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$645,000; Outstanding at Year End—\$1,935,000.

#### 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—\$520,000; Outstanding at Year End—\$4,050,000.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### 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—\$305,000; Outstanding at Year End—\$52,160,000.

### Revenue and Refunding Bonds, Series 2015B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the university. To finance the refunding of \$1,710,000 of the Series 2007 TRB portion and \$2,045,000 of the Series 2007 Non-TRB portion.
- Issued June 2, 2015
- \$3,755,000; all bonds authorized have been issued.
- Revenue and Refunding Bond
- Business-Type Activities
- Source of Revenue for Debt Service—Pledged revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, Higher Education Assistance Funds, grants and contracts, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—\$1,550,000; Outstanding at Year End—\$2,155,000.

### 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—\$1,685,000; Outstanding at Year End—\$68,450,000.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 6: Continued

#### 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.

### 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, 2018.

| Investment Derivatives | Changes in Fair Value |            | Fair Value as of 8/31/2018 |            | Notional Amount |
|------------------------|-----------------------|------------|----------------------------|------------|-----------------|
|                        | Classification        | Amount     | Classification             | Amount     |                 |
| FX Contracts           | Investment Income     | \$(140.12) | Investment                 | \$(140.12) | \$48,012.12     |

### Note 8: Leases

#### Capital Leases

Midwestern State University has no capital leases as of August 31, 2018.

#### 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               |
|--|---------------------|
| 2019                                       | \$135,648.88        |
| 2020                                       | 121,304.48          |
| 2021                                       | 90,135.46           |
| 2022                                       | 75,736.81           |
| 2023                                       | 31,255.42           |
| <b>Total Future Minimum Lease Payments</b> | <b>\$454,081.05</b> |

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 9: Pension Plans

#### Teacher Retirement System Pension Plan

Teacher Retirement System is the administrator of the TRS plan, a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation. The employers of the TRS Plan include the state of Texas, TRS, the state's public schools, education service centers, charter schools, and 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 workload 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 2017 for fiscal 2018 reporting, the amount of Midwestern State University's contributions recognized by the plan was \$953,582.00. The contribution rates are based on a percentage of the monthly gross compensation for each member. The contribution requirements for the state and the members in the measurement period are presented in the table below:

| <b>TRS Plan Required Contribution Rates</b> |      |
|---|------|
| Employer                                    | 6.8% |
| Employees                                   | 7.7% |

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, 2017 measurement date:

| <b>Actuarial Methods and Assumptions</b> | TRS Plan  |
|--|---|
| Actuarial Valuation Date                 | August 31, 2017   |
| 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.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 9: Continued**

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 entities make their contributions at the statutorily required rates. Under this assumption, the pension plan's fiduciary net position is projected to be sufficient to make all future pension benefit payments of current plan members. Therefore, the 8% long-term expected rate of return on pension plan investments was used as the discount rate without incorporating the municipal bond rate.

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

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

| Asset Class                   | Target Allocation | Long-Term Expected Geometric Real Rate of Return |
|-------------------------------|-------------------|--|
| <b>Global Equity</b>          |                   |  |
| U.S.                          | 18%               | 4.6%   |
| Non-U.S. Developed            | 13%               | 5.1%   |
| Emerging Markets              | 9%                | 5.9%   |
| Directional Hedge Funds       | 4%                | 3.2%   |
| Private Equity                | 13%               | 7.0%   |
| <b>Stable Value</b>           |                   |  |
| U.S. Treasury                 | 11%               | 0.7%   |
| Absolute Return               | 0%                | 1.8%   |
| Stable Value Hedge Funds      | 4%                | 3.0%   |
| Cash                          | 1%                | -0.2%  |
| <b>Real Return</b>            |                   |  |
| Global Inflation Linked Bonds | 3%                | 0.9%   |
| Real Assets                   | 16%               | 5.1%   |
| Energy and Natural Resources  | 3%                | 6.6%   |
| Commodities                   | 0%                | 1.2%   |
| <b>Risk Parity</b>            |                   |  |
| Risk Parity                   | 5%                | 6.7%   |
| <b>Total</b>                  | 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<br>(7%) | Current Discount Rate<br>(8%) | 1% Increase in Discount Rate<br>(9%) |
|--------------------------------------|-------------------------------|--------------------------------------|
| \$15,713,662                         | \$9,321,176                   | \$3,998,395                          |

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

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 2017 Comprehensive Annual Financial Report.

At August 31, 2018, Midwestern State University reported a liability of \$9,321,176 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of August 31, 2017, 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, 2018 was 0.0291518 percent which was an increase from the 0.0264757 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, 2018, Midwestern State University recognized pension expense of \$966,046.00. At August 31, 2018, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Deferred Inflows and Outflows Related to Pensions:</b>   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Difference between expected and actual experience           | \$ 136,373.00                             | \$ 502,679.00                            |
| Changes of assumptions                                      | 424,594.00                                | 243,070.00                               |
| Net difference between projected & actual investment return |   | 679,307.00                               |
| Change in proportion and contribution difference            | 794,557.00                                | 454,465.00                               |
| Contributions subsequent to the measurement date            | 1,065,618.00                              |  |
| <b>Total</b>  | <b>\$2,421,142.00</b>                     | <b>\$1,879,521.00</b>                    |

The \$1,065,618.00 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, 2019. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended<br/>August 31</b> | <b>Amount of<br/>Pension Expense<br/>to be Recognized</b> |
|---------------------------------|---|
| 2019                            | \$ (272,760.00)   |
| 2020                            | 322,235.00  |
| 2021                            | (318,471.00)  |
| 2022                            | (453,768.00)  |
| 2023                            | 103,888.00  |
| Thereafter                      | 94,880.00   |
| <b>Total</b>                    | <b>\$(523,996.00)</b>                                     |



# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 9: Continued**

**Optional Retirement Program**

The state has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher Retirement System and is available to certain eligible employees. The ORP is authorized by the Texas Government Code, Chapter 830, and is administered by 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, 2018, compared to the previous year, are shown below:

|                        | Year Ended<br>August 31, 2018 | Year Ended<br>August 31, 2017 |
|------------------------|-------------------------------|-------------------------------|
| Member Contributions   | \$1,021,229.01                | \$1,047,238.02                |
| Employer Contributions | 1,091,491.25                  | 1,122,733.61                  |
| Total Remittance       | \$2,112,720.26                | \$2,169,971.63                |

**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**

**ERS Plan**

Employees Retirement System is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined Other Post Employment Benefits (OPEB) plan with a special funding situation. The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments (COLAs).

Audited Comprehensive Annual Financial Report (CAFR) for Employees Retirement System may be obtained from: Employees Retirement System of Texas, 200 E. 18th Street, Austin, Texas 78701.

During the measurement period of 2017 for the fiscal 2018 reporting, the amount of Midwestern State University contributions recognized by the plan were \$4,197,119.35. The university does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The contribution requirements for the state and the members in the measurement period are presented in the table below:

### Employer Contribution Rates Retiree Health and Basic Life Premium

|                    |           |
|--------------------|-----------|
| Retiree Only       | \$ 617.30 |
| Retiree & Spouse   | 970.98    |
| Retiree & Children | 854.10    |
| Retiree & Family   | 1,207.78  |

The total OPEB liability is determined by an annual actuarial valuation. The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2017 measurement date.

| Actuarial Methods and Assumptions     | SRHP   |
|---------------------------------------|--|
| Actuarial Valuation Date              | August 31, 2017  |
| Actuarial Cost Method                 | Entry Age  |
| Amortization Method                   | Level Percent of Payroll, Open   |
| Remaining Amortization Period         | 30 Years   |
| <u>Actuarial Assumptions:</u>         |  |
| Discount Rate                         | 3.51%  |
| Inflation                             | 2.50%  |
| Salary Increase                       | 3.50% to 9.50%, including inflation  |
| Healthcare Cost and Trend Rate        | 8.50% for FY 2019, decreasing 0.50% per year to 4.50% for FY 2027 and later years  |
| Aggregate Payroll Growth              | 3.00%  |
| Retirement Age                        | Experience-based tables of rates that are specific to the class of employee  |
| <u>Mortality:</u>                     |  |
| State Agency Members                  |  |
| Service Retirees, Survivors and Other | 2017 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2017 |
| Inactive Members                      |  |
| Disabled Retirees                     | RP-2014 Disabled Retiree Mortality with Ultimate MP Projection Scale projected from the year 2014  |
| Active Members                        | RP-2014 Active Member Mortality tables with Ultimate MP Projection Scale from the year 2014  |

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

**Note 11—Continued**

Mortality:

|  |  |
|--|--|
| Higher Education Members               |  |
| Service Retirees, Survivors and Other  | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014  |
| Inactive Members                       |  |
| Disabled Retirees                      | Tables based on TRS experience with full generational projection using Scale BB from Base Year 2014 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members |
| Active Members                         | Sex Distinct RP-2014 Employee Mortality multiplied by 90% with full generational projection using Scale BB   |
| Ad Hoc Post-Employment Benefit Changes | None   |

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period Sept. 1, 2011 to Aug. 31, 2016 for state agency members and for the period Sept. 1, 2010 to Aug. 31, 2014 for higher education members. The mortality rates were based on the tables identified in the table on the previous page and above titled *Actuarial Methods and Assumptions*.

The following benefit revisions have been adopted since the prior valuation for retirees and dependents for whom Medicare is not primary:

- A. increase in the out-of-pocket cost applicable to services obtained at a free standing emergency facility
- B. elimination of the copayment for virtual visits
- C. copay reduction for Airrosti and for out of state participants and
- D. elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.51% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 2.84%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay as you go basis and is not intended to accumulate assets, there is no long-term expected rate of return. ERS' board of trustees adopted an amendment to the investment policy in August 2017 to require that all funds in this plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments be at least 2.4%. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 2.84%.

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

| Sensitivity of Midwestern State University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate (\$ thousands) |                                     |                        |
|---|-------------------------------------|------------------------|
| 1% Decrease<br>(2.51%)  | Current<br>Discount Rate<br>(3.51%) | 1% Increase<br>(4.51%) |
| \$13,939  | \$11,677                            | \$9,925                |

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of Midwestern State University's net OPEB liability. The result of the analysis is presented in the table below:

| Sensitivity of Midwestern State University's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (\$ thousands) |  |  |
|--|--|--|
| 1% Decrease<br>(7.50% decreasing to 3.50%)   | Current Healthcare Cost Trend Rates<br>(8.50% decreasing to 4.50%) | 1% Increase<br>(9.50% decreasing to 5.50%) |
| \$9,817  | \$11,677   | \$14,091                                   |

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and accrual basis of accounting, which is the same basis used by ERS. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the Other Employee Benefit Trust Fund are reported at fair value in accordance with GASB Statement No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets, and fiduciary net position may be obtained from ERS' fiscal 2017 CAFR.

At August 31, 2018, Midwestern State University reported a liability of \$11,676,951.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actual valuation as of that date. Midwestern State University's proportion at August 31, 2017 was 0.03427038 percent. Midwestern State University's proportion of the collective net OPEB liability was based on its contributions to the OPEB plan relative to the contributions of all the employers and non-employer contributions to the plan for the period September 1, 2016 through August 31, 2017.

For the year ending August 31, 2018, Midwestern State University recognized OPEB expense of \$624,905.00. At August 31, 2018, Midwestern State University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Inflows and Outflows Related to Other Postemployment Benefits (OPEB): | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Difference between expected and actual experience                              |                                | \$ 140,320.00                 |
| Changes of assumptions   |                                | 2,441,510.00                  |
| Net difference between projected & actual investment return                    | \$ 3,457.00                    |                               |
| Contributions subsequent to the measurement date                               | 4,717,196.00                   |                               |
| <b>Total</b>   | <b>\$4,720,653.00</b>          | <b>\$2,581,830.00</b>         |

The \$4,717,196.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2019.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

| Year Ended August 31st                         | 2019         | 2020         | 2021         | 2022         | 2023         | Thereafter |
|--|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Amount of OPEB Expense to be Recognized</b> | (580,629.00) | (580,629.00) | (580,629.00) | (580,629.00) | (255,857.00) | 0.00       |

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Year Ended 8-31-2018 (UNAUDITED)

# Midwestern State University

## 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 |
|-------------------------------------|----------------------|-------------------|---------|
|-------------------------------------|----------------------|-------------------|---------|

**Interfund Receivables and Payables—Current:**

|                                       |  |                     |                             |
|---------------------------------------|--|---------------------|-----------------------------|
| State Energy Conservation Office, 907 |  | <u>\$283,278.47</u> |                             |
| D23 Fund 7999                         |  | <u>\$283,278.47</u> | SECO Federal Revolving Loan |

**Interfund Receivables and Payables—Non Current:**

|                                       |  |                     |                             |
|---------------------------------------|--|---------------------|-----------------------------|
| State Energy Conservation Office, 907 |  | <u>\$423,821.34</u> |                             |
| D23 Fund 7999                         |  | <u>\$423,821.34</u> | SECO Federal Revolving Loan |

| Due to/Due From: | Due From Other Agencies | Due To Other Agencies | Purpose |
|------------------|-------------------------|-----------------------|---------|
|------------------|-------------------------|-----------------------|---------|

|                              |                     |  |                                   |
|------------------------------|---------------------|--|-----------------------------------|
| Texas Tech University, 733   |                     |  |                                   |
| D23 Fund 7999                | <u>\$110,441.12</u> |  | Small Business Development Center |
| <b>Total Due To/Due From</b> | <u>\$110,441.12</u> |  |                                   |

| Operating Transfers: | Transfer In | Transfer Out |  |
|----------------------|-------------|--------------|--|
|----------------------|-------------|--------------|--|

|   |                     |                       |                                 |
|---|---------------------|-----------------------|---------------------------------|
| Texas Department of Motor Vehicles, 608 |                     |                       | Texas Collegiate License        |
| D23 Fund 0802                           |                     | \$ 1.00               | Plate Fund                      |
| Texas Public Finance Authority, 347     |                     |                       |                                 |
| D23 Fund 7999                           | \$513,717.04        | 1,112,063.43          | Master Lease Purchase Transfers |
| Texas State Comptroller's Office, 902   |                     |                       |                                 |
| D23 Fund 0210                           | <u>59,163.00</u>    |                       | Hazlewood Exemption Program     |
| <b>Total Transfers</b>                  | <u>\$572,880.04</u> | <u>\$1,112,063.43</u> |                                 |

| Legislative Transfers: | Transfer In | Transfer Out |  |
|------------------------|-------------|--------------|--|
|------------------------|-------------|--------------|--|

|                                       |                     |  |                             |
|---------------------------------------|---------------------|--|-----------------------------|
| Texas State Comptroller's Office, 902 |                     |  |                             |
| D23 Fund 0001                         | <u>\$102,645.00</u> |  | Hazlewood Reimbursement-TVC |
| <b>Total Transfers</b>                | <u>\$102,645.00</u> |  |                             |

Detailed State Grant Pass-Through information is listed on page 59 in Schedule 1B.

ANNUAL FINANCIAL REPORT

# Midwestern State University

## Notes To The Financial Statements - Unaudited

### Note 13: Continuance Subject to Review

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

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

The university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. This pronouncement established new accounting and financial reporting requirements for institutions that provide employees with other postemployment benefits (OPEB), such as retiree health insurance. The university participates in the State Retiree Health Plan (SRHP), administered by Employees Retirement System (ERS), which is considered a multiple-employer cost-sharing defined benefit OPEB plan with a special funding situation. The implementation of GASB Statement No. 75 resulted in a restatement in the amount of \$13,630,419 to previous net position. This amount was calculated to be the university's proportionate share of the overall restatement by the Texas State Comptroller's Office using the university's contributions to the benefit plan as a basis for the calculation.

### Note 15: Contingencies and Commitments

At August 31, 2018, there were no material pending lawsuits or claims involving Midwestern State University. Any claims incurred but not asserted against the university cannot be reasonably estimated at this time, and any such liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the university.

### Note 16: Subsequent Events

On October 30, 2018, the university received \$3.5 million in proceeds from the sale of mineral interests in Reeves County, Texas. The funds will be used in accordance with the bequest from Mr. Homer Donohoo, Jr., with one-half of the funds to support the Music Department and one-half to support the Nursing Department.

On November 8, 2018, at its regularly scheduled board meeting, the board of regents approved using the proceeds from the sale of mineral interests to establish two quasi-endowment funds to benefit music and nursing programs at Midwestern State University. These quasi-endowment funds will be invested in the Texas A&M System Endowment Fund, and the income will be distributed quarterly beginning in March 2019.

### 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, 2018, 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 \$129,028.24 and \$186,186.14 for workers' compensation coverage for fiscal years ending August 31, 2018 and 2017, 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.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

### **Note 17—Continued**

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

### **Note 18: Management'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 \$922,825 to MSU during the year ended August 31, 2018, and \$725,609 for the prior year. The MSU Charitable Trust remitted restricted gifts of \$945,441 to the university during the year ended August 31, 2018 and \$1,016,945 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2018 are reported by their trustees in the amount of \$25,568,636.14 and \$32,412,384.25, respectively.

### **Note 20: Stewardship, Compliance and Accountability**

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

### **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.

# Midwestern State University

## Notes To The Financial Statements - Unaudited

For the fiscal year ended August 31, 2018, 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<br/>Appreciation</u> | <u>Reported in Net Position</u> |
|-----------------------------------|--|---------------------------------|
| True Endowments                   | None                                   | Restricted for Nonexpendable    |
| Term Endowments                   | \$143,868.50                           | 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 | \$1,771,480.49        |
| Follett Bookstore Receivable               | 101,143.71            |
| Vending Commission Accruals                | 1,563.53              |
| Employee Travel Advances                   | 5,696.23              |
| Employee Payroll Advances                  | 3,993.29              |
| Other Grants and Contracts Receivable      | 33,259.23             |
| Endowment Distribution Receivable          | 171,553.99            |
| DFW Shared Lease Receivable                | 8,071.00              |
| Vendor Refund Receivable                   | 110.70                |
| Other Miscellaneous Receivables            | 9,129.11              |
| <b>Total</b>                               | <b>\$2,106,001.28</b> |

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

**Note 25: Termination Benefits**

Not Applicable.

**Note 26: Segment Information**

Not Applicable.

**Note 27: Service Concession Arrangements**

Not Applicable.

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# Midwestern State University

## Notes To The Financial Statements - Unaudited

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

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| <b>Deferred Inflows and Outflows Related to Pensions:</b>                             |                                   |                                  |
| Difference between expected and actual experience                                     | \$ 136,373.00                     | \$ 502,679.00                    |
| Changes of assumptions  | 424,594.00                        | 243,070.00                       |
| Net difference between projected and actual investment return                         |                                   | 679,307.00                       |
| Change in proportion and contribution difference                                      | 794,557.00                        | 454,465.00                       |
| Contributions subsequent to the measurement date                                      | 1,065,618.00                      |                                  |
| <b>Deferred Inflows and Outflows Related to Other Postemployment Benefits (OPEB):</b> |                                   |                                  |
| Difference between expected and actual experience                                     |                                   | 140,320.00                       |
| Changes of assumptions  |                                   | 2,441,510.00                     |
| Net difference between projected and actual investment return                         | 3,457.00                          |                                  |
| Contributions subsequent to the measurement date                                      | 4,717,196.00                      |                                  |
| <b>Unamortized Loss on Debt Refunding</b>   | 3,119,913.30                      |                                  |
| <b>Total</b>  | <b>\$10,261,708.30</b>            | <b>\$4,461,351.00</b>            |

The \$1,065,618.00 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, 2019.

The \$4,717,196.00 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the year ending August 31, 2019.

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

| Year Ended<br>August 31st                         | 2019         | 2020       | 2021         | 2022         | 2023       | Thereafter |
|---|--------------|------------|--------------|--------------|------------|------------|
| <b>Amount of Pension Expense to be Recognized</b> | (272,760.00) | 322,235.00 | (318,471.00) | (453,768.00) | 103,888.00 | 94,880.00  |

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

| Year Ended<br>August 31st                      | 2019         | 2020         | 2021         | 2022         | 2023         | Thereafter |
|--|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Amount of OPEB Expense to be Recognized</b> | (580,629.00) | (580,629.00) | (580,629.00) | (580,629.00) | (255,857.00) | 0.00       |

The ending balance of \$3,119,913.30 in deferred outflows of resources was related to unamortized losses on refunding debt. 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, 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 the 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.



# Midwestern State University

## Notes To The Financial Statements - Unaudited

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**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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# Midwestern State University

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**Schedule 1A - Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2018, with Comparative Totals for the Year Ended August 31, 2017**

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|  | CFDA<br>Number | ID # | Univ/Agy<br># | Pass-Through From |                      |                                 |
|--|----------------|------|---------------|-------------------|----------------------|---------------------------------|
|  |                |      |               | Agency<br>Amount  | University<br>Amount | Non-State<br>Entities<br>Amount |
| <u>National Endowment for the Humanities</u>                 |                |      |               |                   |                      |                                 |
| Promotion of the Humanities—Federal/State Partnership        | 45.129         |      |               |                   |                      |                                 |
| 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           | \$862.56          |                      |                                 |
| <u>Small Business Administration</u>                         |                |      |               |                   |                      |                                 |
| Pass-Through From:   |                |      |               |                   |                      |                                 |
| TTU-Small Business Development Center                        |                |      |               |                   |                      |                                 |
|  | 59.037         |      | 733           |                   | \$112,428.18         |                                 |
| <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         |      |               |                   |                      |                                 |
| <b>Research &amp; Development Cluster</b>                    |                |      |               |                   |                      |                                 |
| <u>U.S. Department of the Interior</u>                       |                |      |               |                   |                      |                                 |
| National Land Remote Sensing Education Outreach & Research   | 15.815         |      |               |                   |                      |                                 |
| <b>Student Financial Assistance Cluster</b>                  |                |      |               |                   |                      |                                 |
| <u>U.S. Department of Education</u>                          |                |      |               |                   |                      |                                 |
| Direct Programs:   |                |      |               |                   |                      |                                 |
| Federal Supplemental Education Opportunity Grants            | 84.007         |      |               |                   |                      |                                 |
| Federal Work-Study Program                                   | 84.033         |      |               |                   |                      |                                 |
| Federal Pell Grant Program                                   | 84.063         |      |               |                   |                      |                                 |
| Federal Direct Student Loans                                 | 84.268         |      |               |                   |                      |                                 |
| Teacher Education Assistance for College & HE Grants (TEACH) | 84.379         |      |               |                   |                      |                                 |
| Total Student Financial Assistance Cluster Programs          |                |      |               |                   |                      |                                 |
| <b>TRIO Cluster</b>  |                |      |               |                   |                      |                                 |
| <u>U.S. Department of Education</u>                          |                |      |               |                   |                      |                                 |
| Direct Programs  |                |      |               |                   |                      |                                 |
| TRIO—Student Support Services                                | 84.042         |      |               |                   |                      |                                 |
| Total Federal Financial Assistance                           |                |      |               | \$862.56          | \$112,428.18         |                                 |

| <u>Direct Program</u>  | <u>Total of Pass-Through From &amp; Direct Program</u> | <u>Pass-Through To</u>       |                                  | <u>Expenditures</u>    | <u>2018</u>                                | <u>2017</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> |
| \$ 4,500.00            | \$ 4,500.00  |                              |                                  | \$ 4,500.00            | \$ 4,500.00                                |  |
| 4,500.00               | 4,500.00   |                              |                                  | 4,500.00               | 4,500.00                                   |  |
|                        | 862.56   |                              |                                  | 862.56                 | 862.56                                     | \$ 1,286.74                                |
|                        | 112,428.18   |                              |                                  | 112,428.18             | 112,428.18                                 | 135,117.65                                 |
| 228,152.58             | 228,152.58   |                              |                                  | 228,152.58             | 228,152.58                                 | 121,155.18                                 |
| 637,631.21             | 637,631.21   |                              |                                  | 637,631.21             | 637,631.21                                 | 4,166.66                                   |
| 14,423.57              | 14,423.57  |                              |                                  | 14,423.57              | 14,423.57                                  | 16,675.94                                  |
| 207,449.00             | 207,449.00   |                              |                                  | 207,449.00             | 207,449.00                                 | 187,895.00                                 |
| 142,730.67             | 142,730.67   |                              |                                  | 142,730.67             | 142,730.67                                 | 104,906.83                                 |
| 10,459,109.85          | 10,459,109.85  |                              |                                  | 10,459,109.85          | 10,459,109.85                              | 9,523,650.09                               |
| 31,686,253.00          | 31,686,253.00  |                              |                                  | 31,686,253.00          | 31,686,253.00                              | 31,005,478.00                              |
| 121,221.00             | 121,221.00   |                              |                                  | 121,221.00             | 121,221.00                                 | 152,470.00                                 |
| 42,616,763.52          | 42,616,763.52  |                              |                                  | 42,616,763.52          | 42,616,763.52                              | 40,974,399.92                              |
| 227,853.22             | 227,853.22   |                              |                                  | 227,853.22             | 227,853.22                                 | 214,227.32                                 |
| <u>\$43,729,324.10</u> | <u>\$43,842,614.84</u>                                 |                              |                                  | <u>\$43,842,614.84</u> | <u>\$43,842,614.84</u>                     | <u>\$41,467,029.41</u>                     |

# Midwestern State University

## Note 1: Nonmonetary Assistance

Not Applicable

## Note 2: Reconciliation

|  | 08/31/2018             |
|--|------------------------|
| Federal Revenues—Per Exhibit II            |                        |
| Federal Grant Revenue—Operating            | \$ 1,583,961.25        |
| Federal Grant Revenue—Non-Operating        | 10,459,109.85          |
| Federal Pass-through Revenue—Operating     | 112,428.18             |
| Federal Pass-through Revenue—Non-Operating | 862.56                 |
| Total Federal Revenues                     | <u>12,156,361.84</u>   |
| Reconciling Items: New Loans Processed     |                        |
| Federal Direct Student Loans Processed     | <u>31,686,253.00</u>   |
|  | <u>\$43,842,614.84</u> |

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

| Federal Grantor/CFDA Number/Program Name    | Beginning Balance of<br>Outstanding Loans<br>as of 8/31/17 | New Loans<br>Processed, does not<br>include Admin Cost | CY Admin Cost<br>Recovered, includes<br>PYs only if<br>applicable |
|---|--|--|---|
| U.S. Department of Education                |  |  |   |
| 84.038 Federal Perkins Loan Program         |  |  |   |
| 84.268 Federal Direct Student Loans Program |  | \$31,686,253.00  |   |
| Total Department of Education               |  | <u>\$31,686,253.00</u>                                 |   |
|   |  |  |   |
| Federal Grantor/CFDA Number/Program Name    | Total Loans<br>Processed & Admin<br>Cost Recovered         | Repayment/<br>Adjustment<br>Activity (PY + CY)         | Outstanding<br>Balance of Loans as<br>of 8/31/18, includes        |
| U.S. Department of Education                |  |  |   |
| 84.038 Federal Perkins Loan Program         |  |  |   |
| 84.268 Federal Direct Student Loans Program | \$31,686,253.00  | \$31,686,253.00  |   |
| Total Department of Education               | <u>\$31,686,253.00</u>                                     | <u>\$31,686,253.00</u>                                 |   |

## 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 2018, which extends through August 31, 2022. The university will be submitting a new rate proposal in February of 2022. The 50% rate will become provisional on September 1, 2022 until August 31, 2024 or until a new rate is negotiated.

# Midwestern State University

Unaudited

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

| <u>Operating Revenue:</u>                                     | <u>2018</u>                 | <u>2017</u>           |
|---|-----------------------------|-----------------------|
| Pass-Through From:  |                             |                       |
| UT System (Agy #720) - Joint Admission Medical Program (JAMP) | \$ 9,148.03                 | \$ 7,785.70           |
| Texas Commission on the Arts (TCA—Agy #813)                   |                             |                       |
| Arts Create   | 5,000.00                    |                       |
| Arts Respond  |                             | 4,987.00              |
| Texas Higher Education Coordinating Board (Agy #781)          |                             |                       |
| College Work Study Program                                    | 34,182.92                   | 35,009.83             |
| Strategic Planning and Funding                                | 5,000.00                    |                       |
| Engineering Recruitment Program                               |                             | 11,727.00             |
| Professional Nursing Shortage Reduction Program               |                             | 69,178.73             |
| TEXAS Grant Program   | 4,033,107.00                | 4,077,803.00          |
| Top 10% Scholarships  | 14,000.00                   | 32,000.00             |
| Total Operating Pass-Through Revenue (Exhibit II)             | <u>\$4,100,437.95</u>       | <u>\$4,238,491.26</u> |
| Pass-Through To:  |                             |                       |
| None  |                             |                       |
| <u>Non-Operating Revenue:</u>                                 |                             |                       |
| Pass-Through From:  |                             |                       |
| Texas Higher Education Coordinating Board (Agy #781)          |                             |                       |
| Nursing & Allied Health                                       | <u>                    </u> | \$ 582.45             |
| Total Non-Operating Pass-Through Revenue (Exhibit II)         | <u>                    </u> | <u>\$ 582.45</u>      |
| Pass-Through To:  |                             |                       |
| None  |                             |                       |

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# Midwestern State University

Unaudited

Midwestern State University  
Schedule 2A - Miscellaneous Bond Information  
For the Fiscal Year Ended August 31, 2018

Business Type Activities

| Description of Issue                | Bonds Issued To Date           | Range of Interest Rates | Scheduled Maturities |           | First Call Date |
|-------------------------------------|--------------------------------|-------------------------|----------------------|-----------|-----------------|
|                                     |                                |                         | First Year           | Last Year |                 |
| <b>Revenue Bonds:</b>               |                                |                         |                      |           |                 |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2008                         | \$ 38,635,346.92               | 3.00% - 5.25%           | 2008                 | 2034      | 12-01-18        |
| <b>Revenue Bonds:</b>               |                                |                         |                      |           |                 |
| Series 2010                         | 6,700,000.00                   | 4.00% - 5.00%           | 2012                 | 2036      | 12-01-20        |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2012A                        | 4,710,000.00                   | 2.00% - 2.25%           | 2013                 | 2020      | 12-01-20        |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2012B                        | 5,415,000.00                   | 0.50% - 3.25%           | 2013                 | 2024      | 12-01-24        |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2015A                        | 53,335,000.00                  | 2.00% - 5.00%           | 2016                 | 2045      | 06-01-25        |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2015B                        | 3,755,000.00                   | 0.515%-2.957%           | 2016                 | 2022      | None            |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2016A                        | 72,250,000.00                  | 2.00%-5.00%             | 2016                 | 2035      | 12-01-18        |
| <b>Revenue and Refunding Bonds:</b> |                                |                         |                      |           |                 |
| Series 2016B                        | <u>11,790,000.00</u>           | 1.426%-2.666%           | 2019                 | 2035      | 12-01-20        |
| <b>Total</b>                        | <b><u>\$196,590,346.92</u></b> |                         |                      |           |                 |

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Year Ended  
8-31-2018  
(UNAUDITED)

# Midwestern State University

Unaudited

Midwestern State University  
 Schedule 2B - Changes in Bonded Indebtedness  
 For the Fiscal Year Ended August 31, 2018

Business Type Activities

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| Description of Issue   | Bonds<br>Outstanding<br>09-01-2017 | Bonds<br>Issued | Bonds<br>Matured<br>or Retired | Bonds<br>Refunded or<br>Extinguished |
|--|------------------------------------|-----------------|--------------------------------|--------------------------------------|
| <b>Revenue Bonds:</b>  |                                    |                 |                                |                                      |
| Revenue Financing System<br>Revenue & Refunding Bonds:<br>Series 2008  | \$ 2,515,000.00                    |                 | \$1,230,000.00                 |                                      |
| Revenue Financing System<br>Revenue Bonds:<br>Series 2010              | 840,000.00                         |                 | 195,000.00                     |                                      |
| Revenue Financing System<br>Revenue & Refunding Bonds:<br>Series 2012A | 2,580,000.00                       |                 | 645,000.00                     |                                      |
| Revenue Financing System<br>Revenue & Refunding Bonds:<br>Series 2012B | 4,570,000.00                       |                 | 520,000.00                     |                                      |
| Revenue Financing System<br>Revenue & Refunding Bonds:<br>Series 2015A | 52,465,000.00                      |                 | 305,000.00                     |                                      |
| Revenue Financing System<br>Revenue & Refunding Bonds:<br>Series 2015B | 3,705,000.00                       |                 | 1,550,000.00                   |                                      |
| Revenue Financing System<br>Series 2016A                               | 70,135,000.00                      |                 | 1,685,000.00                   |                                      |
| Revenue Financing System<br>Series 2016B                               | 11,790,000.00                      |                 | 0.00                           |                                      |
| Total  | <u>\$148,600,000.00</u>            | <u>\$0.00</u>   | <u>\$6,130,000.00</u>          | <u>\$0.00</u>                        |



| <u>Bonds<br/>Outstanding<br/>08-31-2018</u> | <u>Amounts<br/>Due Within<br/>One Year</u> | <u>Unamortized<br/>Premium</u> | <u>Unamortized<br/>Discount</u> | <u>Net Bonds<br/>Outstanding<br/>08-31-2018</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|---|--|--------------------------------|---------------------------------|---|--|
| \$ 1,285,000.00                             | \$1,285,000.00                             |                                |                                 | \$ 1,285,000.00                                 | \$1,285,000.00                             |
| 645,000.00                                  | 205,000.00                                 |                                |                                 | 645,000.00                                      | 205,000.00                                 |
| 1,935,000.00                                | 660,000.00                                 |                                |                                 | 1,935,000.00                                    | 660,000.00                                 |
| 4,050,000.00                                | 535,000.00                                 |                                |                                 | 4,050,000.00                                    | 535,000.00                                 |
| 52,160,000.00                               | 875,000.00                                 | \$ 2,473,946.92                |                                 | 54,633,946.92                                   | 970,151.81                                 |
| 2,155,000.00                                | 1,055,000.00                               |                                |                                 | 2,155,000.00                                    | 1,055,000.00                               |
| 68,450,000.00                               | 1,730,000.00                               | 10,545,962.94                  |                                 | 78,995,962.94                                   | 2,315,886.83                               |
| <u>11,790,000.00</u>                        | <u>0.00</u>                                |                                |                                 | <u>11,790,000.00</u>                            | <u>0.00</u>                                |
| <u>\$142,470,000.00</u>                     | <u>\$6,345,000.00</u>                      | <u>\$13,019,909.86</u>         | <u>\$0.00</u>                   | <u>\$155,489,909.86</u>                         | <u>\$7,026,038.64</u>                      |

# Midwestern State University

Unaudited

Midwestern State University  
Schedule 2C - Debt Service Requirements  
For the Fiscal Year Ended August 31, 2018

Business Type Activities

| Description of Issue   | 2019                   | 2020                   | 2021                   | 2022                   | 2023                   |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2008</b>   |                        |                        |                        |                        |                        |
| Principal  | \$ 1,285,000.00        |                        |                        |                        |                        |
| Interest   | 25,700.00              |                        |                        |                        |                        |
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2010</b>   |                        |                        |                        |                        |                        |
| Principal  | 205,000.00             | \$ 215,000.00          | \$ 225,000.00          |                        |                        |
| Interest   | 27,125.00              | 16,625.00              | 5,625.00               |                        |                        |
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2012A</b>  |                        |                        |                        |                        |                        |
| Principal  | 660,000.00             | 675,000.00             | 600,000.00             |                        |                        |
| Interest   | 33,600.00              | 20,250.00              | 6,750.00               |                        |                        |
| <b>Revenue Financing System Revenue Bonds:</b>               |                        |                        |                        |                        |                        |
| <b>Series 2012B</b>  |                        |                        |                        |                        |                        |
| Principal  | 535,000.00             | 550,000.00             | 560,000.00             | \$ 575,000.00          | \$ 590,000.00          |
| Interest   | 107,612.61             | 95,594.16              | 81,695.86              | 65,993.18              | 48,854.35              |
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2015A</b>  |                        |                        |                        |                        |                        |
| Principal  | 875,000.00             | 880,000.00             | 1,275,000.00           | 1,030,000.00           | 1,635,000.00           |
| Interest   | 2,297,481.26           | 2,253,606.26           | 2,206,106.26           | 2,154,856.26           | 2,088,231.26           |
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2015B</b>  |                        |                        |                        |                        |                        |
| Principal  | 1,055,000.00           | 460,000.00             | 150,000.00             | 490,000.00             |                        |
| Interest   | 39,922.80              | 24,204.70              | 16,520.30              | 7,244.65               |                        |
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2016A</b>  |                        |                        |                        |                        |                        |
| Principal  | 1,730,000.00           | 2,570,000.00           | 2,695,000.00           | 3,065,000.00           | 3,215,000.00           |
| Interest   | 2,971,400.00           | 2,894,050.00           | 2,775,275.00           | 2,631,275.00           | 2,474,275.00           |
| <b>Revenue Financing System Revenue and Refunding Bonds:</b> |                        |                        |                        |                        |                        |
| <b>Series 2016B</b>  |                        |                        |                        |                        |                        |
| Principal  | 0.00                   | 660,000.00             | 670,000.00             | 680,000.00             | 695,000.00             |
| Interest   | 324,986.70             | 320,280.90             | 309,699.20             | 297,349.70             | 283,390.95             |
| <b>Total</b>   | <b>\$12,172,828.37</b> | <b>\$11,634,611.02</b> | <b>\$11,576,671.62</b> | <b>\$10,996,718.79</b> | <b>\$11,029,751.56</b> |
| Less Interest  | (5,827,828.37)         | (5,624,611.02)         | (5,401,671.62)         | (5,156,718.79)         | (4,894,751.56)         |
| <b>Total Principal</b>                                       | <b>\$6,345,000.00</b>  | <b>\$ 6,010,000.00</b> | <b>\$ 6,175,000.00</b> | <b>\$ 5,840,000.00</b> | <b>\$ 6,135,000.00</b> |

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Year Ended  
8-31-2018  
(UNAUDITED)

| <u>2024-28</u>         | <u>2029-33</u>         | <u>2034-38</u>         | <u>2039-43</u>         | <u>2044-48</u>        | <u>Total Requirements</u> |
|------------------------|------------------------|------------------------|------------------------|-----------------------|---------------------------|
|                        |                        |                        |                        |                       | 1,285,000.00              |
|                        |                        |                        |                        |                       | 25,700.00                 |
|                        |                        |                        |                        |                       | 645,000.00                |
|                        |                        |                        |                        |                       | 49,375.00                 |
|                        |                        |                        |                        |                       | 1,935,000.00              |
|                        |                        |                        |                        |                       | 60,600.00                 |
| \$ 1,240,000.00        |                        |                        |                        |                       | 4,050,000.00              |
| 40,360.00              |                        |                        |                        |                       | 440,110.16                |
| 10,135,000.00          | \$ 9,435,000.00        | \$ 8,790,000.00        | \$12,120,000.00        | \$5,985,000.00        | 52,160,000.00             |
| 9,041,156.30           | 6,579,731.30           | 4,617,531.30           | 2,532,812.56           | 250,490.65            | 34,022,003.41             |
|                        |                        |                        |                        |                       | 2,155,000.00              |
|                        |                        |                        |                        |                       | 87,892.45                 |
| 18,690,000.00          | 22,985,000.00          | 13,500,000.00          |                        |                       | 68,450,000.00             |
| 9,726,000.00           | 5,063,700.00           | 762,200.00             |                        |                       | 29,298,175.00             |
| 3,760,000.00           | 4,100,000.00           | 1,225,000.00           |                        |                       | 11,790,000.00             |
| 1,151,852.95           | 574,883.55             | 34,575.80              |                        |                       | 3,297,019.75              |
| \$53,784,369.25        | \$48,738,314.85        | \$28,929,307.10        | \$14,652,812.56        | \$6,235,490.65        | \$209,750,875.77          |
| (19,959,369.25)        | (12,218,314.85)        | (5,414,307.10)         | (2,532,812.56)         | (250,490.65)          | (67,280,875.77)           |
| <b>\$33,825,000.00</b> | <b>\$36,520,000.00</b> | <b>\$23,515,000.00</b> | <b>\$12,120,000.00</b> | <b>\$5,985,000.00</b> | <b>\$142,470,000.00</b>   |

# Midwestern State University

Unaudited

Midwestern State University  
 Schedule 2D - Analysis of Funds Available for Debt Service  
 For the Year Ended August 31, 2018

Business Type Activities  
 Description of Issue

Pledged and Other Sources and Related Expenditures for FY 2018

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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              |
| <b>Revenue Financing System Revenue Bonds</b>               |                                 |   |                       |                       |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2008   |                                 |   | \$1,230,000.00        | \$ 76,000.00          |
| <b>Revenue Bonds</b>  |                                 |   |                       |                       |
| Series 2010   |                                 |   | 195,000.00            | 37,125.00             |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2012A  |                                 |   | 645,000.00            | 46,650.00             |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2012B  |                                 |   | 520,000.00            | 117,778.58            |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2015A  |                                 | \$ 46,354.91  | 305,000.00            | 2,323,931.26          |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2015B  |                                 |   | 1,550,000.00          | 60,504.25             |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2016A  |                                 | 18,872,781.89                                       | 1,685,000.00          | 3,014,200.00          |
| <b>Revenue and Refunding Bonds:</b>                         |                                 |   |                       |                       |
| Series 2016B  |                                 |   | 0.00                  | 324,986.70            |
| <b>Total for all Revenue Financing System Revenue Bonds</b> | <b>\$68,032,479.46</b>          | <b>\$18,919,136.80</b>                              | <b>\$6,130,000.00</b> | <b>\$6,001,175.79</b> |

# Midwestern State University

Unaudited

Midwestern State University  
 Schedule 2E - Defeased Bonds Outstanding  
 For the Fiscal Year Ended August 31, 2018

**Business Type Activities**

| Description of Issue  | Year<br>Refunded | Par Value<br>Outstanding |
|---|------------------|--------------------------|
| Revenue Financing System Revenue and Refunding Bonds<br>Series 2007 | 2015             | \$16,015,000.00          |
| Revenue Financing System Revenue and Refunding Bonds<br>Series 2008 | 2017             | 28,175,000.00            |
| Revenue Financing System Revenue and Refunding Bonds<br>Series 2010 | 2017             | 4,860,000.00             |
| <b>Total</b>  |                  | <b>\$49,050,000.00</b>   |

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 8-31-2018  
 (UNAUDITED)

# Midwestern State University

Unaudited

**Midwestern State University**  
**Schedule 2F - Early Extinguishment and Refunding**  
**For the Fiscal Year Ended August 31, 2018**

**Business Type Activities**

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| Description of Issue                       | Category | Amount<br>Extinguished/<br>Refunded | Refunded<br>Issued Par Value | Cash Flow<br>Increase/<br>(Decrease) | Economic<br>Gain/(Loss) |
|--|----------|-------------------------------------|------------------------------|--------------------------------------|-------------------------|
| None for the Year Ended<br>August 31, 2018 |          | _____                               | _____                        | _____                                | _____                   |
|  |          | =====                               | =====                        | =====                                | =====                   |

# 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<br>2018         | Prior Year<br>2017           |
|---|------------------------------|------------|------------------------------|------------------------------|
| General Revenue - Dedicated Fund 0264                     | \$2,724,644.20               |            | \$2,724,644.20               | \$2,896,567.01               |
| Special Mineral Fund - 0412                               |                              |            |                              |                              |
| <b>Total Cash – State Treasury (Stmt of Net Position)</b> | <b><u>\$2,724,644.20</u></b> |            | <b><u>\$2,724,644.20</u></b> | <b><u>\$2,896,567.01</u></b> |

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8-31-2018  
(UNAUDITED)

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