OFFICIAL STATEMENT DATED JUNE 2, 2015

NEW ISSUES - BOOK-ENTRY-ONLY

RATINGS:
Fitch: "AA-"
Moody's: "A1"
(See "RATINGS" herein)

In the opinion of Bond Counsel, interest on the Series 2015A Bonds will be excludable from gross income for federal income tax purposes under existing law and is not includable in the alternative minimum taxable income of individuals. See "TAX MATTERS FOR THE SERIES 2015A BONDS" herein for a discussion of Bond Counsel's opinion, including the alternative minimum tax consequences for corporations.

Interest on the Series 2015B Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS FOR THE SERIES 2015B BONDS."

$53,335,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE AND REFUNDING BONDS,
SERIES 2015A

$3,755,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE REFUNDING BONDS,
TAXABLE SERIES 2015B

Interest Accrues: Date of Delivery **Due: December 1, as shown on pages ii and iii**

The Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2015B (the "Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds") are issued by the Texas Public Finance Authority (the "Authority") on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"). The Bonds are payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION (AS DEFINED HEREIN) WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS WILL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."**

The proceeds from the sale of the Series 2015A Bonds will be used for the purpose of (i) acquiring, purchasing, constructing, improving, renovating, enlarging and/or equipping property, buildings, structures, facilities, roads or related infrastructure; (ii) refunding certain outstanding Parity Obligations set forth on Schedule I hereto (the "Series 2015A Refunded Bonds"); and (iii) paying the costs related to issuing the Series 2015A Bonds and refunding the Series 2015A Refunded Bonds. The proceeds from the sale of the Series 2015B Bonds will be used for the purpose of (i) refunding certain outstanding Parity Obligations set forth on Schedule I hereto (the "Series 2015B Refunded Bonds" and, together with the Series 2015A Refunded Bonds, the "Refunded Bonds"); and (ii) paying the costs related to issuing the Series 2015B Bonds and refunding the Series 2015B Refunded Bonds. See "PLAN OF FINANCING – Purpose."

Interest on the Bonds will accrue from the date of delivery, and is payable on December 1, 2015, and each June 1 and December 1 thereafter, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Wilmington Trust, National Association, Dallas, Texas, the initial Paying Agent/Registrar, to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the bonds. See "DESCRIPTION OF THE BONDS – Book-Entry-Only System."

MATURITY SCHEDULES, INTEREST RATES, PRICES AND OTHER TERMS SHOWN ON INSIDE COVER PAGES
CUSIP Prefix: 882756

The Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE BONDS – Redemption."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of Andrews Kurth LLP, Austin, Texas, as to the validity of the issuance of the Bonds under the Constitution and the laws of the State of Texas. See "APPENDIX D – FORMS OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas. Certain legal matters will be passed upon for the Authority by the General Counsel to the Authority and by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Disclosure Counsel to the Authority. The Bonds are expected to be available for delivery through DTC on or about June 30, 2015 the ("Date of Delivery").

BOSC, Inc.
A SUBSIDIARY OF BOK FINANCIAL CORPORATION

Loop Capital Markets **RBC Capital Markets**

CUSIP No. Prefix[(a)]: 882756

MATURITY SCHEDULES, INTEREST RATES, PRICES AND OTHER TERMS FOR EACH SERIES OF BONDS

$53,335,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE AND REFUNDING BONDS, SERIES 2015A

Maturity Date (December 1)[(b)]	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[(a)]
2015	$630,000	2.00%	0.50%	4D8
2016	240,000	3.00	0.78	4E6
2017	305,000	3.00	1.18	4F3
2018	875,000	5.00	1.52	4G1
2019	880,000	5.00	1.74	4H9
2020	1,275,000	4.00	2.01	4J5
2021	1,030,000	5.00	2.33	4K2
2022	1,635,000	5.00	2.58	4L0
2023	1,750,000	5.00	2.81	4M8
2024	1,880,000	5.00	2.96	4N6
2025	2,020,000	5.00	3.06[(c)]	4P1
2026	2,165,000	5.00	3.19[(c)]	4Q9
2027	2,320,000	5.00	3.28[(c)]	4R7
2028	1,705,000	5.00	3.36[(c)]	4S5
2029	1,835,000	5.00	3.41[(c)]	4T3
2030	1,975,000	5.00	3.49[(c)]	4U0
2031	2,105,000	4.00	3.91[(c)]	4V8
2032	1,815,000	5.00	3.62[(c)]	4W6
*****	*****	*****	*****	*****
*****	*****	*****	*****	*****
2035	1,755,000	4.00	4.08	4Z9

$3,165,000 4.000% Term Bonds due December 1, 2034 Priced to Yield 4.040% CUSIP[(a)] 4Y2
$10,690,000 4.000% Term Bonds due December 1, 2040 Priced to Yield 4.170% CUSIP[(a)] 5E5
$11,285,000 4.125% Term Bonds due December 1, 2044 Priced to Yield 4.270% CUSIP[(a)] 5J4

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, the University or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) The Series 2015A Bonds are subject to optional and mandatory sinking fund redemption as set forth herein in the section "DESCRIPTION OF THE BONDS – Redemption."

(c) Yield shown is calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on the first optional redemption date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

CUSIP No. Prefix[a]: 882756

$3,755,000
TEXAS PUBLIC FINANCE AUTHORITY
MIDWESTERN STATE UNIVERSITY
REVENUE FINANCING SYSTEM
REVENUE REFUNDING BONDS, TAXABLE SERIES 2015B

Maturity Date (December 1)[b]	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[a]
2015	$40,000	0.515%	0.515%	5K1
2016	10,000	0.845	0.845	5L9
2017	1,550,000	1.357	1.357	5M7
2018	1,055,000	1.908	1.908	5N5
2019	460,000	2.458	2.458	5P0
2020	150,000	2.708	2.708	5Q8
2021	490,000	2.957	2.957	5R6

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, the University or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) The Series 2015B Bonds are not subject to optional redemption prior to maturity. See "DESCRIPTION OF THE BONDS – Redemption."

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TEXAS PUBLIC FINANCE AUTHORITY

Board of Directors

Billy M. Atkinson, Jr., Chair	Mark W. Eidman, Member*
Ruth C. Schiermeyer, Vice Chair	Rodney K. Moore, Member*
Gerald B. Alley, Secretary	Robert T. Roddy, Jr., Member
Walker N. Moody, Member	

*Mr. Eidman and Mr. Moore's respective terms expired on February 1, 2015. State law provides that a Board member continues to serve until such Board member's replacement is appointed, qualified and takes the oath of office.

Certain Officers

Lee Deviney, Executive Director	Pamela Scivicque, Director, Business Administration
John Hernandez, Deputy Director	Kevin Van Oort, General Counsel

Consultants

Financial Advisor	Bond Counsel	Disclosure Counsel
First Southwest Company, LLC	Andrews Kurth LLP	McCall, Parkhurst & Horton L.L.P.
Austin, Texas	Austin, Texas	Austin, Texas

MIDWESTERN STATE UNIVERSITY

Board of Regents

Name	Residence	Term Expiration
Mr. Shawn G. Hessing, Chairman	Fort Worth	February 25, 2020
Mr. J. Kenneth Bryant, Secretary	Wichita Falls	February 25, 2016
Mr. Michael Bernhardt	Wichita Falls	February 25, 2016
Ms. Tiffany Burks	Grand Prairie	February 25, 2016
Mr. R. Caven Crosnoe	Wichita Falls	February 25, 2020
Mr. Fenton Lynwood Givens, Ph.D.	Plano	February 25, 2018
Mr. Charles Greg	Seymour	February 25, 2018
Mr. Samuel M. Sanchez	Fort Worth	February 25, 2018
Ms. Nancy Marks	Wichita Falls	February 25, 2020
Mr. Jesse Brown (Student Regent)	Wichita Falls	May 31, 2015(1)

(1)State law does not authorize a student regent to vote on matters before the Board.

Certain Officials

Name	Title
Dr. Jesse W. Rogers*	President
Dr. Marilyn Fowlé	Vice President, Business Affairs and Finance
Chris Stovall	Controller
Barry Macha	General Counsel

*Dr. Rogers announced his retirement from the University and the Board of Regents appointed Dr. Suzanne Shipley to replace him as President of the University beginning August 8, 2015.

For additional information regarding Midwestern State University, please contact:

Dr. Marilyn Fowlé
Vice President, Business Affairs and Finance
Midwestern State University
3410 Taft Boulevard
Wichita Falls, Texas 76308-2099
(940) 397-4105

Mr. Chris W. Allen
First Southwest Company, LLC
300 West 6th Street, Suite 1940
Austin, Texas 78701
(512) 481-2013

SALE AND DISTRIBUTION OF THE BONDS

This Official Statement, which includes the cover pages, schedule and the appendices attached hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. The cover pages contain certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

The agreements of the Authority, the University and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds.

Use of Official Statement

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create the implication that there has been no change in the affairs of the Authority or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and in no instance may this Official Statement be reproduced or used for any other purpose.

Each Series of the Bonds is separate and distinct securities offered, issued and sold independently, except for use of this common Official Statement in connection with such offering and sale. While the Series 2015A Bonds and the Series 2015B Bonds share certain common attributes, each issue is separate from the other and each issue should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the federal income tax treatment of payments, and the rights of the holders.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM AS PROVIDED FOR IN "APPENDIX A — BOOK-ENTRY-ONLY SYSTEM," AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

Marketability

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Authority assumes no responsibility for registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "LEGAL MATTERS — Forward-Looking Statements" herein.

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OFFICIAL STATEMENT
relating to

$53,335,000	**$3,755,000**
TEXAS PUBLIC FINANCE AUTHORITY	**TEXAS PUBLIC FINANCE AUTHORITY**
MIDWESTERN STATE UNIVERSITY	**MIDWESTERN STATE UNIVERSITY**
REVENUE FINANCING SYSTEM	**REVENUE FINANCING SYSTEM**
REVENUE AND REFUNDING BONDS,	**REVENUE REFUNDING BONDS,**
SERIES 2015A	**TAXABLE SERIES 2015B**

INTRODUCTION

The purpose of this Official Statement, which includes the cover pages, schedule and the appendices hereto, is to provide certain information regarding the issuance by the Texas Public Finance Authority (the "Authority"), on behalf of the Board of Regents (the "Board") of Midwestern State University (the "University"), of its "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2015A" (the "Series 2015A Bonds") and "Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2015B" (the "Series 2015B Bonds," and, together with the Series 2015A Bonds, the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," except as otherwise indicated herein.

The University was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an institution of higher education. For the 2014 Fall Semester, the University had a total enrollment of approximately 5,870 students. The 2014-2015 budget of the University is approximately $99.9 million. The Board is the governing body of the University and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the University, see "MIDWESTERN STATE UNIVERSITY" herein.

The Authority is authorized to issue bonds on behalf of the University pursuant to Chapter 1232 of the Texas Government Code, as amended. This Official Statement contains summaries and descriptions of the plan of financing, the Bonds, the University, the Authority and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Vice President, Business Affairs and Finance, Midwestern State University, 3410 Taft Boulevard, Wichita Falls, Texas 76308-2099; (940) 397-4105. Copies of documents relating to the Authority may be obtained from the Executive Director, Texas Public Finance Authority, 300 West 15th Street, Suite 411, Austin, Texas 78701, (512) 463-5544.

PLAN OF FINANCE

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, including Chapter 55, Texas Education Code, as amended, Chapter 1232, Texas Government Code, as amended (the "Enabling Act"), Chapters 1201, 1207 and 1371, Texas Government Code, as amended, and additionally pursuant to a resolution adopted by both the Board and the Authority and Pricing Certificates executed by the Authority's Pricing Committee on the date of the sale of the Bonds (collectively, the "Resolution").

Pursuant to Section 1232.101 of the Enabling Act, the Authority has the exclusive authority to issue bonds on behalf of the University. Further, Section 55.13(c) of the Texas Education Code, as amended, provides that the authority of the Board to issue bonds must be exercised through the Authority on behalf of the University, and the Authority has all the rights and duties granted or assigned to and is subject to the same conditions as the Board under Chapter 55, Texas Education Code, as amended. The University submitted to the Authority, and the Authority approved, requests for financing on December 4, 2014 and March 5, 2015.

Purpose

The proceeds from the sale of the Series 2015A Bonds will be used for the purpose of (i) acquiring, purchasing, constructing, improving, renovating, enlarging and/or equipping property, buildings, structures, facilities, roads or related infrastructure; (ii) refunding certain outstanding Parity Obligations set forth on Schedule I hereto (the "Series 2015A Refunded Bonds"); and (iii) paying the costs related to issuing the Series 2015A Bonds and refunding the Series 2015A Refunded Bonds. The proceeds from the sale of the Series 2015B Bonds will be used for the purpose of (i) refunding certain outstanding Parity Obligations set forth on Schedule I hereto (the "Series 2015B Refunded Bonds" and, together with the Series 2015A Refunded Bonds, the "Refunded Bonds"); and (ii) paying the costs related to issuing the Series 2015B Bonds and refunding the Series 2015B Refunded Bonds.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment and redemption dates of each such bond, from funds to be deposited with Wilmington Trust, National Association, Dallas, Texas as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement among the Authority, the Board and the Escrow Agent to be effective as of the date of delivery of the Bonds (the "Escrow Agreement").

The Resolution provides that from a portion of the proceeds of the sale of the Bonds to the Underwriters, together with other lawfully available funds of the University, if any, the University and the Authority will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following investment securities: (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and (c) non-callable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Authority adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent (the "Escrow Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The Escrow Fund will not be available to pay principal of or interest on the Bonds.

Grant Thornton LLP, a nationally-recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate that the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of, premium, if any, and interest on the Refunded Bonds on their scheduled redemption dates. Grant Thornton LLP will also verify the yields relied on by Bond Counsel to support its opinion that none of the Series 2015A Bonds is an arbitrage bond under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). Such verification report will be based on information and assumptions supplied by First Southwest Company, LLC (the "Financial Advisor") and reviewed by the Authority and the University and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinions described herein. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" and "TAX MATTERS FOR THE SERIES 2015A BONDS."

By the deposit of the Escrow Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the University and the Authority will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions authorizing their issuance. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will no longer be payable from Pledged Revenues, but will be payable solely from the principal of and interest on the Escrow Securities and cash held for such purpose by the Escrow Agent, and that the Refunded Bonds, as defeased obligations, are not to be included in or considered to be indebtedness of the Authority or the University for any other purpose.

The University has covenanted in the Escrow Agreement to make timely deposits in the Escrow Fund, from lawfully available funds, of additional funds in the amounts required to pay the principal of and interest on the Refunded Bonds should the cash balances on deposit or scheduled to be on deposit in the Escrow Fund for any reason be insufficient to make such payments.

Sources and Uses of Funds

The proceeds of the Bonds will be applied approximately as follows:

Sources of Funds	**Series 2015A Bonds**	**Series 2015B Bonds**	**Total**
Principal Amount of Bonds	$ 53,335,000.00	$ 3,755,000.00	$ 57,090,000.00
Net Original Issue Premium	2,759,402.35		2,759,402.35
Total	$ 56,094,402.35	$ 3,755,000.00	$ 59,849,402.35
Uses of Funds			
Deposit to Project Account	$ 38,244,500.00		$ 38,244,500.00
Deposit to Escrow Fund	15,518,015.21	$ 3,718,815.71	19,236,830.92
Deposit for Capitalized Interest	1,857,571.91		1,857,571.91
Costs of Issuance*	474,315.23	36,184.29	510,499.52
Total	$ 56,094,402.35	$ 3,755,000.00	$ 59,849,402.35

*Includes Underwriters' discount

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of $5,000 principal amount within a stated maturity, will be dated and will accrue interest from the date of delivery, and will bear interest at the per annum rates shown on the inside cover pages hereof. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2015, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on December 1, in the years and in the principal amounts set forth on the inside cover pages hereof.

If the specified date for any payment of principal of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions in the City of New York, New York or in the city of the Designated Trust Office for the Paying Agent/Registrar for the Bonds, such payment may be made on the next succeeding day that is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Transfer, Exchange, and Registration

Upon surrender for transfer of any Bond at the Designated Trust Office described herein, the Authority will execute, and the Paying Agent/Registrar, initially Wilmington Trust, National Association, will authenticate and deliver, in the name of the designated transferee, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denomination, and of a like aggregate principal amount. At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denomination, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the place of payment for the Bonds. Whenever any Bonds are so surrendered for exchange, the Authority and the Board will execute, and the Paying Agent/Registrar will authenticate and deliver, the Bonds that the Holder of Bonds making the exchange is entitled to receive. Every Bond presented or surrendered for transfer or exchange will be duly endorsed, or accompanied by a written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed, by the Holder thereof or the Holder's attorney duly authorized in writing. No service charge will be made to the Holder for any registration, transfer, or exchange of Bonds, but the Authority or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Paying Agent/Registrar

In the Resolution, the Board covenants to provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar at all times while the Bonds are outstanding.

The Paying Agent/Registrar may be removed from its duties at any time with or without cause by action of the Board and not less than 30 days' notice to each Holder specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor Paying Agent/Registrar, but no such removal is effective until such successor has accepted the duties of the Paying Agent/Registrar. The Designated Trust Office for the initial Paying Agent/Registrar is in Dallas, Texas (the "Designated Trust Office").

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the 15th calendar day of the month preceding each interest payment date.

Redemption

Optional Redemption of Series 2015A Bonds. The Series 2015A Bonds scheduled to mature on and after December 1, 2025 are subject to optional redemption prior to maturity at the option of the Authority, upon the request of the Board, on June 1, 2025 or on any date thereafter, in whole or in part in principal amounts of $5,000 or any integral multiple thereof at a price of par plus accrued interest from the most recent interest payment date to the redemption date. If less than all the Series 2015A Bonds of any maturity are to be redeemed, the Paying Agent/Registrar shall determine by lot, or other customary random method, the Series 2015A Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2015A Bond (or any portion of the principal sum thereof) has been called for redemption and notice of such redemption has been given, such Series 2015A Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Optional Redemption of Series 2015B Bonds. The Series 2015B Bonds are not subject to optional redemption.

Mandatory Sinking Fund Redemption. The Series 2015A Bonds maturing on December 1 in the years 2034, 2040 and 2044 (the "Term Bonds") are subject to mandatory sinking fund redemption by lot prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date:

Term Bonds Due December 1, 2034

Redemption Date	Principal Amount
December 1, 2033	$1,530,000
December 1, 2034*	1,635,000

Term Bonds Due December 1, 2040

Redemption Date	Principal Amount
December 1, 2036	$1,870,000
December 1, 2037	2,000,000
December 1, 2038	2,135,000
December 1, 2039	2,270,000
December 1, 2040*	2,415,000

Term Bonds Due December 1, 2044

Redemption Date	Principal Amount
December 1, 2041	$2,565,000
December 1, 2042	2,735,000
December 1, 2043	2,905,000
December 1, 2044*	3,080,000

*Final Maturity

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Authority by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the Authority, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Authority with available monies at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption. At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity, a written notice of such redemption will be sent by the Paying Agent/Registrar to the registered owner of each Bond to be redeemed at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, will not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and the Resolution specifically provides that the publication of such notice as required above is the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof.

In addition, the Paying Agent/Registrar will give notice of redemption of Bonds by mail, first-class postage prepaid at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In the event of an advance refunding, the Paying Agent/Registrar will send a second notice of redemption at least 30 days but not more than 90 days prior to the actual redemption date. The Paying Agent/Registrar will also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

Each notice of redemption will contain a description of the Bonds to be redeemed, including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, a reference to the principal amounts of each maturity called for redemption, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar, and the address at which the Bonds may be redeemed, including a contact person and telephone number.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Authority, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Authority will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Redemption Through The Depository Trust Company. The Paying Agent/Registrar and the Authority, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to The Depository Trust Company ("DTC"). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Authority, the Board, or the Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "APPENDIX A — BOOK-ENTRY-ONLY SYSTEM" herein.

DEBT SERVICE SCHEDULE

Fiscal Year Ending 8/31	Outstanding Debt Service[1]	Less: Refunded Debt Service	Series 2015A Principal	Series 2015A Interest	Series 2015A Total	Taxable Series 2015B Principal	Taxable Series 2015B Interest	Taxable Series 2015B Total	Total Annual Debt Service
2016	$6,934,715	$1,387,545	$630,000	$789,519[2]	$1,419,519[2]	$40,000	$65,464	$105,464	$7,072,153[2]
2017	6,761,047	774,495	240,000	1,837,852[2]	2,077,852[2]	10,000	71,063	81,063	8,145,468[2]
2018	6,763,962	2,322,895	305,000	2,323,931	2,628,931	1,550,000	60,504	1,610,504	8,680,503
2019	6,770,021	2,317,470	875,000	2,297,481	3,172,481	1,055,000	39,923	1,094,923	8,719,955
2020	6,086,465	1,632,183	880,000	2,253,606	3,133,606	460,000	24,205	484,205	8,072,094
2021	5,991,943	1,627,751	1,275,000	2,206,106	3,481,106	150,000	16,520	166,520	8,011,819
2022	5,380,242	1,630,720	1,030,000	2,154,856	3,184,856	490,000	7,245	497,245	7,431,623
2023	5,381,818	1,636,248	1,635,000	2,088,231	3,723,231				7,468,802
2024	5,374,055	1,629,438	1,750,000	2,003,606	3,753,606				7,498,223
2025	5,377,518	1,629,800	1,880,000	1,912,856	3,792,856				7,540,574
2026	4,737,326	1,631,975	2,020,000	1,815,356	3,835,356				6,940,708
2027	4,740,583	1,636,338	2,165,000	1,710,731	3,875,731				6,979,976
2028	4,732,004	1,632,888	2,320,000	1,598,606	3,918,606				7,017,723
2029	3,957,613	854,069	1,705,000	1,497,981	3,202,981				6,306,525
2030	3,810,622	855,422	1,835,000	1,409,481	3,244,481				6,199,681
2031	3,805,097	855,156	1,975,000	1,314,231	3,289,231				6,239,172
2032	3,802,316	853,272	2,105,000	1,222,756	3,327,756				6,276,800
2033	3,385,819	429,713	1,815,000	1,135,281	2,950,281				5,906,388
2034	2,955,719		1,530,000	1,059,306	2,589,306				5,545,025
2035	1,404,475		1,635,000	996,006	2,631,006				4,035,481
2036	450,175		1,755,000	928,206	2,683,206				3,133,381
2037			1,870,000	855,706	2,725,706				2,725,706
2038			2,000,000	778,306	2,778,306				2,778,306
2039			2,135,000	695,606	2,830,606				2,830,606
2040			2,270,000	607,506	2,877,506				2,877,506
2041			2,415,000	513,806	2,928,806				2,928,806
2042			2,565,000	412,603	2,977,603				2,977,603
2043			2,735,000	303,291	3,038,291				3,038,291
2044			2,905,000	186,966	3,091,966				3,091,966
2045			3,080,000	63,525	3,143,525				3,143,525
Total	$98,603,534	$25,337,375	$53,335,000	$38,973,306	$92,308,306	$3,755,000	$284,924	$4,039,924	$169,614,389

(1) A portion of the outstanding Previously Issued Parity Obligations constitutes Tuition Revenue Bonds that currently qualify the University to be reimbursed from State appropriations for debt service payments made by the University on such obligations. Future reimbursement by the State for such debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium. See "SELECTED FINANCIAL INFORMATION – Funding for the University – Tuition Revenue Bonds." See "Table 4 – Outstanding Indebtedness – Revenue Financing System" for a summary of the Outstanding Parity Obligations.

(2) Excludes capitalized interest through October 1, 2016.

SECURITY FOR THE BONDS

Pledge Under Resolution

The Bonds and any additional obligations previously or hereafter issued on parity with the Bonds (referred to herein collectively as "Parity Obligations") are special obligations of the Board equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues as described below.

The Resolution presently provides that the Pledged Revenues consist of, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Revenue Financing System that are lawfully available to the Board for the payment of Parity Obligations. Revenue Funds include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by the Participants, including interest or other income from those funds, derived by the Board from the operations of each of the Participants. To the extent authorized by law, the term "Revenue Funds" includes student recreational and health facilities fees authorized by Section 54.5441, Texas Education Code, as amended; provided that such fees may be used only for recreation, health and wellness facilities and programs at the University. To the extent authorized by law, the term "Revenue Funds" includes an intercollegiate athletics fee authorized by Section 54.5442, Texas Education Code, as amended; provided however, that such fee may be used only to develop and maintain an intercollegiate athletics program at the University, including providing funds to finance, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities or infrastructure related to such program. Revenue Funds do not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category that, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, rates, fees, or other charges; provided, however, that the following will not be included in Pledged Revenues unless and to the extent set forth in a supplement to the Resolution; (a) amounts received on behalf of any Participant under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto (see "SELECTED FINANCIAL INFORMATION") and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas (the "Texas Legislature") (see "SELECTED FINANCIAL INFORMATION"). All legally available funds of the University, including unrestricted fund and reserve balances, are pledged to the payment of the Parity Obligations. A more detailed description of the types of revenues and expenditures of the Revenue Financing System and their availability to the Board for various purposes may be found under "TABLE 1 – Pledged Revenues," "SELECTED FINANCIAL INFORMATION." See "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

The Board has covenanted in the Resolution that in each Fiscal Year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Obligations for such Fiscal Year. The Board has also covenanted in the Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes a Parity Obligation or is junior and subordinate to the Parity Obligations. The Board intends to issue most of its revenue-supported debt obligations that benefit components of the University as Parity Obligations under the Resolution.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE BOARD, THE AUTHORITY, THE UNIVERSITY OR ANY PART THEREOF, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE BOARD NOR THE AUTHORITY HAS ANY TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS. THE BREACH OF ANY COVENANT, AGREEMENT, OR OBLIGATION CONTAINED IN THE RESOLUTION WILL NOT IMPOSE OR RESULT IN GENERAL LIABILITY ON OR A CHARGE AGAINST THE GENERAL CREDIT OF THE BOARD, THE AUTHORITY, OR THE UNIVERSITY. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "SECURITY FOR THE BONDS."

The Revenue Financing System

The Resolution confirms the creation in 1998 of the Midwestern State University Revenue Financing System (the "Revenue Financing System") to provide a financing structure for revenue-supported indebtedness of the University and any research and service agencies or other components of the University that may be included thereunder, by Board action, as participants in the Revenue Financing System ("Participants"). The Revenue Financing System is intended to facilitate the assembling of all of the University's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to Participants and to maximize the financing options available to the Board. Presently, only the University is a Participant. The Resolution provides that once a university or agency becomes a Participant, its Revenue Funds become part of the Pledged Revenues; provided, however, that, if at the time an entity becomes a Participant it has outstanding obligations secured by any or all of its Revenue Funds, such obligations will constitute Prior Encumbered Obligations under the Resolution and the pledge of such sources as Pledged Revenues will be subject and subordinate to such outstanding Prior Encumbered Obligations. Thereafter, the Board or the Authority on behalf of the Board, may issue bonds, notes, commercial paper, contracts, or other evidences of indebtedness, including credit agreements on behalf of such institution on a parity, as to payment and security, with the Outstanding Parity Obligations, subject only to the outstanding Prior Encumbered Obligations, if any, with respect to such Participant. Upon becoming a Participant, an entity may no longer issue obligations having a lien on Pledged Revenues prior to the lien on the Outstanding Parity Obligations. Generally, Prior Encumbered Obligations are those bonds or other obligations issued on behalf of a Participant that were outstanding on the date such entity became a Participant in the Revenue Financing System. See "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Table 1 - Pledged Revenues

The following table sets forth the Pledged Revenues for the Fiscal Years ending August 31, 2010 through August 31, 2014, including pledged unappropriated fund balances available at the beginning of the year. The Pledged Revenues consist of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations and gifts, grants, and contracts within the Educational and General Fund Group; Higher Education Assistance Funds; and, student service fees and private gifts in the Auxiliary Fund Group, as such terms are used in "APPENDIX C – UNAUDITED FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY." See "SELECTED FINANCIAL INFORMATION – Funding for the University" and "SECURITY FOR THE BONDS."

	2010	2011	2012	2013	2014
Available Pledged Revenues Not Including Fund Balances(1)	$ 43,344,636	$ 49,213,183	$ 49,451,248	$ 41,228,122	$ 45,639,700
Pledged Unappropriated Funds and Reserve Balances(2)	$ 11,174,622	$ 9,548,897	$ 12,899,339	$ 13,616,284	$ 15,948,631
Total Pledged Revenues	$ 54,519,258	$ 58,762,080	$ 62,350,587	$ 54,844,406	$ 61,588,331

(1) The Available Pledged Revenues shown above consist of tuition, designated tuition, student center fees, and recovery of indirect costs for federal grants and contracts, federal pass-through grants from other agencies and State grants and contracts. Excludes state appropriations for reimbursement of debt service on Tuition Revenue Bonds. See "SELECTED FINANCIAL INFORMATION – Funding for the University – Tuition Revenue Bonds."

(2) In addition to current year Pledged Revenues, any unappropriated or reserve fund balances remaining at year-end are available for payment of the subsequent year's debt service.

Prior to the issuance of the Bonds, the maximum annual debt service over the life of the Outstanding Parity Obligations is $7,013,333.

Additional Obligations

Parity Obligations. The Board reserves the right to issue or incur, or request that the Authority on its behalf, issue or incur additional Parity Obligations for any purpose authorized by law pursuant to the provisions of the Resolution. The Board or the Authority acting on behalf of the Board may incur, assume, or guarantee, or cause to be incurred, assumed or guaranteed, or otherwise become liable with respect to any Parity Obligations if (i) the Board will have determined (A) that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and (B) the Participant or Participants for whom the Parity Obligations are being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a Designated Financial Officer delivers to the Board and the Authority a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any resolution adopted authorizing the issuance of Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions, and conditions thereof. See "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "SELECTED FINANCIAL INFORMATION – Debt Management."

Nonrecourse Debt and Subordinate Debt. Nonrecourse Debt and Subordinated Debt may be incurred by the Board, or the Authority on behalf of the Board, without limitation.

THE AUTHORITY

General

Under Chapter 1232 of the Texas Government Code (the "Texas Public Finance Authority Act" or "Enabling Act"), the Authority's power is limited to financing and refinancing project costs for State agencies and institutions and does not affect the power of the relevant State agency or institution to carry out its statutory authority, including the authority of such agency or institution to construct buildings. The Texas Public Finance Authority Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were funded by legislative appropriation.

Pursuant to the Texas Public Finance Authority Act and Chapters 1401 and 1403, Texas Government Code, as amended, the Authority issues general obligation bonds and revenue bonds for designated State agencies (including certain institutions of higher education). In addition, the Authority currently administers three commercial paper programs, namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions; a general obligation commercial paper program for certain State government construction projects; and a general obligation commercial paper program for the Cancer Prevention and Research Institute of Texas ("CPRIT"). In addition, in 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter 53, Texas Education Code, as amended.

The Authority has issued revenue bonds on behalf of the Texas Parks & Wildlife Department, the Texas Facilities Commission, the Texas State Preservation Board, the Texas Department of Criminal Justice, the Texas Health & Human Services Commission (which includes the Texas Department of State Health Services and the Texas Department of Health), the Texas Workforce Commission, the Texas State Technical College System, the Texas Military Department (formerly Adjutant General's Department and Texas Military Facilities Commission), the Texas Historical Commission, Midwestern State University, Texas Southern University, Stephen F. Austin State University and the Texas Windstorm Insurance Association. It has also issued general obligation bonds for the Texas Parks & Wildlife Department, the Texas Facilities Commission, the Texas Department of State Health Services, the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services, the Texas Department of Public Safety, the Texas Juvenile Justice Department (formerly Texas Youth Commission and Texas Juvenile Probation Commission), the Texas National Research Laboratory Commission, the Texas Historical Commission, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Department of Agriculture, the Texas Military Department (formerly Adjutant General's Department), the Texas Department of Transportation, the Texas Military Preparedness Commission, and CPRIT.

Before the Authority may issue bonds for the acquisition or construction of a building, the Legislature must have authorized the specific project for which the bonds or other obligations are to be issued and the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance of bonds. The Texas Supreme Court, in Texas Public Building Authority v. Mattox, 686 S. W. 2d 924 (1985), ruled that revenue bonds issued by the Authority do not constitute debt of the State within the meaning of the State Constitution. As set forth in the Texas Public Finance Authority Act, revenue obligations issued thereunder are not a debt of the State or any State agency, political corporation or political subdivision of the State and are not a pledge of the full faith and credit of any of them.

Authority Executives

The Authority is currently governed by a board (the "Authority Board"), which is composed of seven members appointed by the Governor with the advice and consent of the State Senate. The Governor designates one member to serve as Chair at the will of the Governor. Authority Board members whose terms have expired continue to serve on the Authority's Board until a successor therefor has qualified for office. The current members of the Authority's Board, the office held by each member and the date on which each member's term expires are as follows:

Name	Position	Term Expires (February 1)
Billy M. Atkinson, Jr.	Chair	2017
Ruth C. Schiermeyer	Vice-Chair	2019
Gerald B. Alley	Secretary	2019
Mark W. Eidman	Member	2015*
Rodney K. Moore	Member	2015*
Robert T. Roddy, Jr.	Member	2017
Walker N. Moody	Member	2019

* State law provides that a Authority Board member continues to serve until such Board member's replacement is appointed, qualified and takes the oath of office.

The Authority generally employs approximately 14 employees, including an Executive Director, a General Counsel, a Deputy Director and a Director of Business Administration. The Executive Director is charged with managing the affairs of the Authority, subject to and under the direction of the Board.

Lee Deviney, Executive Director. The Authority's Board appointed Mr. Deviney as the Executive Director of the Texas Public Finance Authority on June 5, 2014. Mr. Deviney previously served as the Chief Financial Officer of the Texas Economic Development and Tourism Office within the Office of the Governor since September 1, 2011. He has previously held CFO or similar positions at the Texas Lottery and the Texas Education Agency and he previously served as Assistant Commissioner for Finance and Agribusiness Development for the Texas Department of Agriculture (TDA). Prior to his appointment as an Assistant Commissioner at TDA, Mr. Deviney served as Interim Executive Director and Director of Operations for the Texas Public Finance Authority and he was a Budget Examiner for the Texas Legislative Budget Board. Mr. Deviney has a Bachelor's degree in Economics from The University of Texas at Austin and a Master's degree in Business Administration from St. Edwards University.

John Hernandez, Deputy Director. Mr. Hernandez leads the Finance and Accounting Team, which is responsible for debt service budgeting, arbitrage rebate compliance, the State of Texas Master Lease Program, general ledgers, financial reporting, and information technology. Mr. Hernandez and his team also provide support for new debt issuance of fixed rate and variable rate debt. Mr. Hernandez holds a B.A. in finance from St. Edwards University in Austin.

Pamela Scivicque, Director, Business Administration. Ms. Scivicque joined the staff of the Authority in 1990. She is currently responsible for legislative reporting, procurement, accounting, budgeting and risk and property management. Ms. Scivicque attended Texas State University, Texas Tech's Southwest School of Governmental Finance and the Texas Fiscal Officers' Academy ("TFOA"). She has served on numerous statewide committees including TFOA's curriculum committee and is a member of the Texas State Business Administrators' Association where she previously served as President in 2006.

Kevin Van Oort, General Counsel. Mr. Van Oort was hired as the Authority's General Counsel on September 2, 2014. Previously, Mr. Van Oort served as Senior Tax Counsel for the Office of the Texas Attorney General, Deputy General Counsel for the Texas Comptroller of Public Accounts and General Counsel for the Texas Legislative Budget Board. Mr. Van Oort took his bachelor's degree in Economics at the University of Nebraska and his J.D. at The University of Texas.

Sunset Review

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended), which provides that virtually all agencies of the State, including the Authority, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically acts to continue the existence of the agency. The next sunset review of the Authority is scheduled to occur in 2023. The Texas Public Finance Authority Act, as amended by the 82nd Legislature, provides that if the Authority is not continued in existence, the Authority will cease to exist as of September 1, 2023; however, the Texas Sunset Act also provides, unless otherwise provided by law, that the Authority will exist until September 1 of the following year (September 1, 2024) in order to conclude its business.

Pursuant to the Texas Sunset Act, the Texas Legislature specifically recognizes the State's continuing obligation to pay bonded indebtedness and all other obligations incurred by various State agencies, including the Authority. Accordingly, in the event that a future sunset review were to result in the Authority being abolished, the Governor would be required by law to designate an appropriate State agency to continue to carry out all covenants contained in the Bonds and in all other obligations, including lease, contract and other written obligations of the Authority. The designated State agency would provide payment from the sources of payment of the Bonds in accordance with the terms of the Bonds and would provide payment from the sources of payment of all other obligations in accordance with their terms, whether from a State general obligation pledge, revenues or otherwise, until the principal of and interest on the Bonds are paid in full and all other obligations, including lease, contract and other written obligations, are performed and paid in full.

Retirement Plan of the Authority

The Authority participates in joint contributory retirement system of the State administered by the Employees Retirement System of Texas ("ERS"), which is operated by the State and which covers State employees and the Law Enforcement and Custodial Officers System.

The Authority's Enabling Act; Payment and Approval of the Bonds

Under the Enabling Act, the Authority's power is limited to financing projects and does not affect the power of the Board to carry out its statutory authority, including its authority to construct buildings. The Enabling Act directs State agencies and institutions to carry out their authority regarding projects financed by the Authority as if the projects were financed by legislative appropriation. Accordingly, the Authority will not be responsible for supervising the construction and maintenance of any of the projects of the University.

Payments on the Bonds are expected to be made solely from the Pledged Revenues. See "SECURITY FOR THE BONDS." Any default in payments on the Bonds will not affect the payment of any other obligations of the Authority.

MIDWESTERN STATE UNIVERSITY

History and Organization

Midwestern State University is a public co-educational institution. It originated in 1922 as Wichita Falls Junior College, the first municipal junior college in Texas. In 1937, in honor of a gift to the institution by Mr. and Mrs. John G. Hardin, Wichita Falls Junior College was renamed Hardin Junior College. When the senior college division was established in 1946, the name of the institution became Hardin College. In January 1950, the name was changed to Midwestern University. On September 1, 1961, Midwestern University became a part of the Texas colleges and universities system and the junior college division was dissolved. The institution became Midwestern State University in 1975.

The University is organized into six colleges of academic structure. These colleges are Business Administration, Education, Fine Arts, Health Sciences and Human Services, Humanities and Social Sciences, and Science and Mathematics. In addition to the academic divisions, the university graduate council administers graduate programs of the university. The graduate council is composed of the graduate program coordinators of each academic division. The council is chaired by a Graduate Dean. The university's colleges offer 10 undergraduate degrees in 40 majors and master's degrees in 26 majors.

Location and Physical Facilities

The University is located in Wichita Falls, Texas, which is a city approximately 120 miles northwest of the Dallas/Ft. Worth metroplex. The original campus consisted of 40 acres of land given to the institution by W.B. Hamilton and Anne H. Martin. Later, the University campus was expanded to 100 acres by the addition of a 60-acre tract, and a 1970 acquisition added approximately 67 acres directly south of the campus. An additional 4.5 acres were acquired as a part of the purchase of the property on the southwest corner of the campus in 1989. An approximate ½-acre tract was included in the purchase of the Bridwell Court Apartments in 1991.

Today's campus includes 277 acres and 68 buildings, in addition to 32 acres not in the immediate vicinity of the campus, and 3,000 acres in West Texas at the Dalquest Research Center. All buildings on the main campus have a planned architectural harmony. All classes are held in air-conditioned facilities. Residence halls consist of modern facilities for both men and women. In addition to the instructional buildings and residence halls, other University facilities include the Clark Student Center, the Daniel Building, which houses maintenance shops, the Central Power Plant, a Wellness Center, Wichita Fall Museum of Art, Ligon Coliseum and several athletic venues and associated facilities.

Control

The University is governed by a Board of nine Regents (including one student regent who is not authorized to vote on matters before the board) who serve without pay and are appointed by the Governor with the advice and consent of the Texas Senate. The Board appoints the president and is legally responsible for the establishment and control of the University's policies. The current President of the University, Dr. Jesse W. Rogers, has announced his retirement from the University and the Board of Regents appointed Dr. Suzanne Shipley to replace him as President beginning August 8, 2015.

Accreditation

The University is fully accredited by its national accrediting body, the Council of Public Liberal Arts Colleges, as well as its regional accrediting body, the Southern Association of Colleges and Schools Commission on Colleges. All academic programs of the University are fully accredited. Various departments of the university are fully accredited with their respective professional associations.

Retirement Systems

Teacher Retirement System. The State has joint contributory retirement plans for substantially all its employees. One of the primary plans in which the University participates is administered by the Teacher Retirement System of Texas ("TRS"). During the 83rd Legislative Session, the Texas Legislature passed Senate Bill 1458 (the "Legislation") which adjusted contribution rates under TRS for both the State and TRS members. As a result of such legislation, the contributory percentage of participant salaries currently provided by the University is 6.8% of annual compensation in Fiscal Year 2014. The legislation also established a stair step increase in the member contribution rate from 6.4% in Fiscal Year 2014 to 7.7% in Fiscal Year 2017.

The TRS does not separately account for each of its component government agencies, because the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in the Retirement System's annual financial report.

The State has also established an Optional Retirement Program ("ORP") for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The contributory percentages on salaries for participants entering the program prior to September 1995 are 8.5% and 6.65% by the State and each participant, respectively. The State's contribution is comprised of 6.58% from the ORP's appropriation and 1.92% from other funding sources. The State's contribution as a percentage of salary for Fiscal Year 2014-2015 is 6.65% for employees and 6.6% for the State. The 6.58% contribution is mandatory with the other contributions being at the discretion of the Board of Regents. The Board of Regents has approved the additional contributions for employees of the University. Because these are individual annuity contracts, the State has no additional or unfunded liability for this program.

The retirement contribution expense to the State for the University was $1,004,273.91 for the Fiscal Year ended August 31, 2014. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the University. The retirement contribution expenses from the University's institutional funds were $1,334,931.34.

GASB Statement 68: For fiscal years beginning after June 15, 2014, government employers who participate in a cost-sharing, multiple-employer defined benefit plan will be required to disclose the total net pension liability (NPL) for their employees on their respective financial statements in lieu of such reporting being done at the State level by TRS including supplemental disclosures within the notes of the financial statements that describe sources of changes in the NPL, significant assumptions and other inputs used to calculate total pension liability (including assumptions about inflation, salary changes, ad hoc post-employment benefit changes, inputs to the discount rate and certain information about mortality assumptions), changes to the assumptions or other inputs and benefit terms and the basis for determining the employer contributions to the pension plan, pension expense and any deferred inflows and outflows of financial resources. The University is currently unable to quantify the impact of this new financial reporting requirement but has been working with TRS and the Texas Comptroller of Public Accounts to determine implementation of GASB Statement 68 impact for purposes of the University's future financial statements. The University's August 31, 2015 financial statements are expected to be submitted no later than November 20, 2015 pursuant to section 2101.011 of the Texas Government Code, as amended.

Financial Support

As a State institution, the University receives approximately 24% of its operating funds from State appropriations. Other operating funds are derived from student tuition and fees, and auxiliary enterprises such as dormitories and dining halls. See "SELECTED FINANCIAL INFORMATION – Funding for the University."

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Table 2 - Enrollment Data

Headcount enrollment at the University has been as follows:

Scholastic Year	Fall Semester	Spring Semester	Summer Session First Term	Summer Session Second Term
2003-04	6,480	6,039	2,901	2,037
2004-05	6,343	5,957	2,682	1,809
2005-06	6,274	5,884	2,638	1,872
2006-07	6,038	5,688	2,443	1,640
2007-08	6,021	5,736	2,360	1,653
2008-09	6,093	5,777	2,426	1,651
2009-10	6,341	6,056	2,492	1,796
2010-11	6,426	6,091	2,470	1,714
2011-12	6,181	5,710	2,257	1,580
2012-13	5,916	5,437	2,015	1,383
2013-14	5,870	5,470	2,080	1,438
2014-15	5,874	N/A	N/A	N/A

Deposits and Investments

The University invests its funds under authority of provisions of the Texas Education Code, the Uniform Prudent Management of Institutional Funds Act, Chapter 163, Texas Property Code and the Public Funds Investment Act, Chapter 2256, Texas Government Code. On August 31, 2014, the carrying amount of the University's deposits was $7,206,625 and the University's bank balance equaled $4,180,898. $250,000 of this amount was covered by FDIC insurance and $3,899,446 was collateralized with securities pledged by the bank granting the University a first priority security interest in the collateral which was held by the Federal Reserve Bank of New York (the Bank) acting as custodian for the University and the bank. The University also invests short-term cash holdings in Tex-Pool and Logic, both approved short-term investment vehicles. As of August 31, 2014, the University had $9,002,505 in these investment vehicles. The University has contracted with Texas A&M University System (the "A&M System") to invest its long-term cash holdings as permitted by Texas Education Code 51.0031, as amended. The University's long-term cash holdings are invested by the A&M System under the prudent person standard described in Article 7, Section 11b of the State Constitution. On August 31, 2014, the A&M System was holding $20,885,258 in its long-term cash concentration pool on behalf of Midwestern State University. See "APPENDIX C – UNAUDITED FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY" for a more detailed discussion of the University's investment of long-term cash holdings.

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Investments. As of August 31, 2014 and August 31, 2013, the fair market value of the University's investments was as follows:

	2014	**2013**
U.S. Government Agency Obligations	$5,994,155.58	$7,622,325.50
Corporate Bonds	2,093,482.10	2,103,117.25
Municipal Bonds		278,532.00
Equities	14,426,387.89	15,426,042.36
Other Fixed Income Mutual Funds	3,518,790.73	
Other Commingled Funds – Texas A&M System Investment Pool	20,885,258.26	
Other Commingled Funds – Texpool	3,001,080.35	8,093,228.96
Other Commingled Funds – LOGIC	6,001,425.05	3,489,600.50
Other Commingled Funds – Goldman Sachs	400,271.49	115,680.23
Other Commingled Funds – Citibank		2,086,041.21
Certificates of Deposit – First National Bank		6,293,978.30
Certificates of Deposit – First United Bank		2,014,039.80
Other Certificates of Deposit	490,000.00	490,000.00
Money Market – JP Morgan Chase	10,662.41	1,006,475.14
Money Market – First United Bank		2,001,939.26
Other Money Market funds	51,049.11	52,859.26
Alternative Investment (including hedge funds)	620,585.24	324,508.80
Total Investments	$57,493,148.21	$51,398,368.57
Current Assets – Short-Term Investments	$9,990,287.80	$23,061,587.32
Non-Current Assets – Restricted Short-Term Investments	(35,068.37)	660,516.81
Non-Current Assets – Restricted Investments	7,042,125.19	4,358,455.40
Non-Current Assets – Other Long Term Investments	40,495,803.59	23,317,809.04
Total Investments	$57,493,148.21	$51,398,368.57

Source: Annual Financial Report for the year ended August 31, 2014.

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Credit Risk. The University invests public funds in its custody with primary emphasis on the preservation and safety of the principal amount. Secondarily, investments must be of sufficient liquidity to meet the day-to-day cash requirements of the University. Finally, the University invests to maximize yield within the two previously indicated standards. All investments within this scope conform to applicable State statutes and local rules governing the investment of public funds. Deposits and investments in other than United States Treasury or Agency securities or money market funds invested in United States Treasury or Agency securities are secured by depository pledges of collateral with market value no less than 100% of the value of the deposits and investments. As of August 31, 2014, 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)	$5,994,155.58			
Corporate Bonds			$1,278,994.20	$814,487.90
Commingled Funds - Texpool & LOGIC	9,002,505.40			

Investment Type	BB	B	Collateralized	Not Rated
Other Commingled Funds - Goldman Sachs				$400,271.49
Certificates of Deposit - Other			$490,000.00	
Money Market - JP Morgan			10,662.41	
Other Fixed Income Mutual Funds				3,518,790.73
Other Money Market				51,049.11
Equities				14,426,387.89
Alternative Investments (including hedge funds)				620,585.24

Source: Annual Financial Report for the year ended August 31, 2014

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SELECTED FINANCIAL INFORMATION

Unaudited Annual Financial Reports

The State issues audited financial statements, prepared in accordance with generally accepted accounting principles, for the State government as a whole. The statements are prepared by the Comptroller of Public Accounts and are audited by the State Auditor's Office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units including those of the University. The scope of the State Auditor's audit includes tests for compliance with the covenants of general obligation and revenue bond issues of the State and its component agencies and institutions. Supplementary schedules are included in the State financial statements, providing, for each bond issue, information related to the pledged revenues and expenditures, coverage of debt service requirements, restricted account balances, and/or other relevant information that may be feasibly incorporated. The State Auditor does not express an opinion on such schedules in relation to the basic financial statements taken as a whole.

Any material compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit.

Annually, not later than November 20, an unaudited financial report dated as of August 31, prepared from the books of the University, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University, and in so doing examines the financial records at each of the University's component institutions. No outside audit in support of this detailed review is required or obtained by the University.

The financial statements of the University are prepared on a modified accrual basis consistent with principles recommended in College and University Business Administration, Fourth Edition (1982).

The Fiscal Year of the State and the University begins on September 1 of each year. The University is an agency of the State and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University in maintaining accounts and in the preparation of the combined primary financial reports are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. Historically, these requirements follow, as near as practicable, the generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities, issued in June and November, 1999. See "APPENDIX C – UNAUDITED FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY."

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Table 3 - Statement of Revenues, Expenses and Changes in Net Assets

The table below presents the Statement of Revenues, Expenses and Changes in Net Assets (Unaudited) for Fiscal Years 2014, 2013 and 2012.

REVENUES	2014	2013 Restated	2012
Operating Revenues:			
Student Tuition fees (net of scholarship allowances of $10,812,824, $9,889,867 and $11,250,249 respectively)	$31,281,819.39	$31,369,150.56	$29,393,905.00
Federal Grants	533,422.28	701,779.95*	1,398,665.00
Federal Pass-Through Grants	127,044.31	106,468.65	163,803.00
State Grants Pass-Through from Other State Agencies	3,552,864.18	3,113,927.27	2,554,470.00
Other Grants and Contracts	975,811.17	774,545.71	210,246.00
Sales and Services of Educational Activities	1,517,370.52	1,218,120.57	1,166,329.00
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of $75,190, $77,261, and $57,414 respectively)	9,165,772.35	8,511,928.88	8,257,663.00
Other Operating Revenue	1,413,256.24	1,544,533.19*	1,586,110.00
Total Operating Revenues	48,567,360.44	47,340,454.78	44,731,191.00
EXPENSES			
Operating Expenses:			
Salaries and Wages	37,387,992.74	37,531,979.16	36,795,598.00
Payroll Related Costs	11,283,877.96	10,468,569.45	10,076,375.00
Professional Fees and Services	4,831,819.16	4,014,944.70	3,391,242.00
Travel	1,742,968.00	1,455,146.53	1,413,283.00
Materials and Supplies	5,894,134.71	5,441,691.94	5,272,536.00
Communications and Utilities	2,692,743.63	2,690,544.13	2,974,207.00
Repairs and Maintenance	4,651,994.95	2,507,546.87	2,021,045.00
Rentals and Leases	707,362.64	521,174.59	629,113.00
Printing and Reproduction	121,852.08	161,578.65	110,968.00
Federal Pass Through Expenditures			28,441
Depreciation	11,717,162.53(1)	9,995,431.04	9,811,864.00
Bad Debt Expense	324,984.94	454,862.25	120,605.00
Interest	1,331.88	1,756.05	278.00
Scholarships	10,457,932.61	9,662,749.55*	8,537,610.00
Total Operating Expenses	91,816,157.83	84,907,974.91	81,183,165.00
Operating Income (Loss)	(43,248,797.39)	(37,567,520.13)	(36,451,974.00)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	17,039,451.35	16,619,208.00	16,762,807
Additional State Appropriations	4,901,343.38	4,535,980.58	4,423,896.00
Legislative Appropriations Lapsed			
Federal Pass-Through Grants	2,000.00		20,311
Federal Grants	8,316,438.01	8,014,771.20*	8,793,999.00
State Pass-Through Grants from Other State Agencies	270,071.00		
Gifts	7,380,693.44	8,829,212.02	6,722,053.00
Insurance Recovery in Subsequent Year	1,795,531.14		
Other Non-Operating Revenues (Expenses)	(15,357.50)	5,543.41	(2,490.00)
Investment income	1,618,380.81	684,673.14	853,372.00
Net Increase (Decrease) in Fair Value of Investments	3,434,194.59	567,653.01	1,284,638.00
Net Book Value of Capital Asset Disposals	(134,005.13)	(385,589.60)	(45,501.00)
Interest Expense on Capital Asset Financing	(3,247,235.29)	(3,701,517.09)	(3,575,660.00)
Total Non-Operating Revenues	41,361,505.80	35,169,934.67	35,237,425.00
Income (loss) Before Capital Contribution, Additions to Endowments, and Special Items	(1,887,291.59)	(2,397,585.46)	(1,214,549.00)
Capital Contributions	9,268,395.65	755,000.00	4,999,209.00
HEAF Appropriation	3,559,433.00	3,559,433.00	3,559,433.00
Additions to Endowments	337,110.60	165,595.50	221,926.00
Transfers In	0.99	1,747.95	333,347.00
Transfers Out	(777,587.85)	(945,166.41)	(933,170.00)
Increase (Decrease) in Net Assets	10,500,060.80	1,139,024.58	6,966,196.00
Net Assets, Beginning of Year	97,003,660.04	95,864,635.46	88,898,439.00
Restatements	(17,500.00)		
Net Position, Beginning of Year, Restated	96,986,160.04		
Net Assets, End of Year	$107,486,220.84	$97,003,660.04	$95,864,635.00

*Restated Federal Pell, Supplemental Educational Opportunity and Teacher Education Assistance for College and Higher Education grant revenues. Also restated Pell administrative overhead from federal non-operating grants to other operating income.
(1)Represents a one-time in-kind donation of software.

For fiscal years beginning after June 15, 2014, pursuant to GASB Statement 68, the University will modify its pension reporting in their financial statements including additional information regarding pensions within the notes section of their financial statements. See "MIDWESTERN STATE UNIVERSITY — Retirement Systems — *GASB Statement 68."*

Funding for the University

Funding for the University for the Fiscal Year ended August 31, 2014 consisted of State appropriations, tuition and student fees, gifts, grants, scholarships, sales, services, other sources, designated funds, and auxiliary enterprises. As shown below, the amounts and the sources of such funding vary from year-to-year; there is no guarantee that the source or amounts of such funding will remain the same in future years.

State Appropriations. The operations of the University are heavily dependent upon the continued support of the State through biennial appropriations of general revenues. The University receives a significant portion of its operating funds from State appropriations. The Board has no assurance that the Texas Legislature will continue to appropriate to the University the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

For Fiscal Years 2014 and 2015, State appropriations comprised approximately 27% and 26%, respectively, of the Operating Revenue (as defined in the Resolution) of the University. See "Table 3 – Statement of Revenues, Expenses and Changes in Net Assets." The State Legislature appropriated the following amounts for Fiscal Years 2014 and 2015: $27,319,890 and $27,409,124, plus other miscellaneous allocations, including that for Higher Education Assistance Funds. The Texas Legislature meets in regular session for a 140-day period every two years on each odd-numbered year. Currently, the 84th Legislature is convened in regular session which began on January 13, 2015 and is scheduled to conclude June 1, 2015. As a starting point for budget deliberations in connection with the current legislative session, the State's Legislative Budget Board and the Governor's Office of Budget, Planning and Policy have requested that State agencies and institutions of higher education such as the University prepare their legislative appropriation requests for general revenue and general revenue-dedicated appropriations for the 2016-17 biennium in a baseline amount that does not exceed the sum of amounts expended in Fiscal Year 2014 and budgeted in Fiscal Year 2015. Additionally, such entities must also submit supplemental appropriation request schedules showing how they would reduce their baseline request by an additional 10 percent (in 5 percent increments).

In addition to the appropriation of general revenues of the State, the University receives a portion of an annual appropriation of funds made by the State Legislature pursuant to the provisions of Article VII, Section 17 of the State Constitution (the "Higher Education Assistance Funds"). The allocation of Higher Education Assistance Funds is made by the State in accordance with an equitable allocation formula. In 2005, the State Legislature approved a 10 year annual allocation (beginning in Fiscal Year 2006) to the University and in 2009 the State Legislature adjusted such allocation as permitted by the State Constitution such that for Fiscal Years 2011 through 2015 the annual allocation to the University is $3,559,433.

The University may use the Higher Education Assistance Funds for capital improvements and renovations to the campus facilities, other than auxiliary enterprises. In addition, the University may issue bonds against such Higher Education Assistance Funds and pledge up to 50% of the appropriation to secure the debt service payments due on such bonds.

Tuition and Fees. Each Texas public university granting degrees charges tuition and fees as set by the State Legislature under Chapters 54 and 55 of the Texas Education Code. Total tuition charges are comprised of "State Mandated Tuition," "Board Designated Tuition" and "Board Authorized Tuition," as further described below.

State Mandated Tuition. Section 54.051, Texas Education Code, currently requires (i) undergraduate tuition applicable to state residents to be charged at $50 per semester credit hour; and (ii) tuition of a nonresident student at a general academic teaching institution or medical and dental unit to be an amount per semester hour equal to the average of the nonresident undergraduate tuition charged to a resident of the State at a public state university in each of the five most populous states other than the State (the amount of which would be computed by the Texas Higher Education Coordinating Board for each academic year). For the 2014-2015 and 2015-2016 academic years the Texas Higher

Coordinating Board has computed $412 and $440, respectively, per semester credit hour for nonresident undergraduate tuition. The tuition rates described above are referred to in this Official Statement as "State Mandated Tuition."

Board Designated Tuition. In 2003, the Texas Legislature approved and the Governor signed into law House Bill 3015, which provided for the deregulation of a portion of tuition that a governing board of an institution of higher education, such as the Board, has the authority to charge under Section 54.0513 of the Texas Education Code. Prior to the amendment to Section 54.0513 of the Texas Education Code the amount of tuition that a governing board of an institution of higher education could independently charge students was capped at the State Mandated Tuition. Effective with the tuition that is charged for the fall 2003 semester, a governing board of an institution of higher education may charge any student an amount (referred to herein as "Board Designated Tuition") that it considers necessary for the effective operation of the institution. The legislation also granted authority to a governing board of an institution of higher education to set a different tuition rate for each program and course level offered by the institution. This authority has offered more opportunity for the Board to develop a tuition schedule that assists in meeting its strategic objectives in terms of access, affordability, effective use of campus resources and improvement of graduation rates. In 2014, the University established a fixed rate tuition plan for students pursuant to section 54.017 of the Texas Education Code, as amended. The plan allows for new students enrolling in the institution to have a fixed designated tuition rate for four years (12 consecutive semesters). Based on the new plan, each class of students at the University will pay a different, fixed-rate designated tuition level. The Board will authorize any changes in Board Designated Tuition only after they have been thoroughly evaluated by the administration. The Board has authorized the Board Designated Tuition rate for Fiscal Year 2014-2015 at $119 per semester credit hour for freshmen and sophomore undergraduate students for four years. Juniors are guaranteed a rate of $116.50 per semester credit hour for three years. Seniors and graduate students are guaranteed a rate of $114 per semester credit hour for two years. No less than 20% of the Board Designated Tuition charged in excess of $46 per semester hour shall be set aside to provide financial assistance to resident undergraduate students, consistent with the provisions of Subchapter B, Chapter 56, Texas Education Code, which were contained in House Bill 3015.

Both the State Mandated Tuition and the Board Designated Tuition are included in Revenue Funds and are pledged for the benefit of Parity Obligations.

Board Authorized Tuition. Section 54.008 of the Texas Education Code permits the governing board of each institution of higher education to set tuition for graduate programs for that institution at a rate that is at least equal to that of the State Mandated Tuition, but that is not more than twice that rate. Between the maximum and minimum rates, the Board may set the differential tuition among programs offered by an institution of higher education. For its graduate programs, the Board has set tuition at the same level as undergraduate students, which is a fixed rate based on their entering cohort, in addition to the State mandated tuition, which is $50 per semester credit hour for such graduate programs.

The Board approved a fixed rate designated tuition plan ("FRDT plan") effective Fall of 2014. The FRDT plan guarantees rates for designated tuition will not increase for students for set time periods. All students at the University, continuing or new, are assigned to a FRDT plan cohort which provides a set time period for their tuition to be fixed.

After the time period for the fixed rate expires, students are placed in the applicable entering rate for purposes of calculating tuition. The FRDT plan is valid for 12 consecutive semesters (fall, spring, summer) for new incoming and sophomore students (and transfer students) enrolled for the first time in Fall of 2014. Juniors in Fall 2014 will have nine consecutive semesters and senior/graduate student will be allowed six consecutive semesters of fixed rate tuition.

Proposed Legislation: Senate Bill 778 ("SB 778") passed the Texas Senate on April 30, 2015 and was voted favorably from the House Committee on Higher Education on May 20, 2015. Starting in the 2018-2019 academic year, SB 778, as engrossed, would establish 11 performance measures for general academic teaching institutions and would require those institutions to meet a majority of the 11 performance measures in order to raise Board Designated Tuition rates under Section 54.0513 of the Texas Education Code higher than the rate of inflation assigned by the Legislative Budget Board. SB 778 requires the governing board of general academic teaching institutions to submit a target level for each of the 11 performance measures within an institution's legislative appropriation request. SB 778 includes a temporary provision that would apply during the 2016-2017 and 2017-2018 academic years which would limit the Board Designated Tuition rates authorized under Section 54.0513 of the Texas Education Code for general academic teaching institutions to no more than one percent of the tuition charged to a similarly situated student during the preceding academic year as that amount is adjusted for inflation assigned by the Legislative Budget Board. For purposes of SB 778, similarly situated students are students that share the same residency status, degree program, course load, course level, tuition exemption status or other circumstances affecting the tuition charged to a student. Currently, the 84th Legislature is convened in regular session which began on January 13, 2015 and is scheduled to conclude June 1, 2015.

2014-2015 State Mandated Tuition, Board Designated Tuition,
Board Authorized Tuition, Mandatory Fees, and Financial Set-Aside per Semester
(Based on 15 Credit Hours per Semester for New Undergraduates and 9 Credit Hours per Semester for Graduates)*

	State Mandated Tuition	Board Designated Tuition*	Board Authorized Tuition	Mandatory Fees	Total Tuition and Fees	Financial Assistance Set-Aside(1)
Resident Undergraduate	$750.00	$1,785.00	N/A	$1,341.25	$3,876.25	$331.50
U.S Non-Resident Undergraduate	1,725.00	1,785.00	N/A	1,341.25	4,851.25	51.75
International Non-Resident Undergraduate	6,180.00	1,785.00	N/A	1,341.25	9,306.25	185.40
Resident Masters	450.00	1,026.00	$360.00	892.75	2,728.75	159.30
U.S. Non-Resident Masters	1,035.00	1,026.00	360.00	892.75	3,313.75	31.05
International Non-Resident Masters	3,708.00	1,026.00	360.00	892.75	5,986.75	111.24
Resident Doctoral	N/A	N/A	N/A	N/A	N/A	N/A
Non-Resident Doctoral	N/A	N/A	N/A	N/A	N/A	N/A

(1) Total tuition and fees includes amounts required to be set aside for financial assistance according to Texas Education Code. The set-aside amounts are calculated as follows: from State Mandated Tuition not less than 15% of each resident student's tuition charge and 3% of each non-resident student's tuition charge is set aside for Texas Public Education Grants (Section 56.033); $2 for each semester hour for which a doctoral student is enrolled is set aside for the Doctoral Loan Incentive Program (Section 56.095); from Board Designated Tuition no less than 20% charged to resident undergraduate students in excess of $46 per semester hour (Section 56.011) and no less than 15% charged to resident graduate students in excess of $46 per semester hour is set aside for financial assistance (Section 56.012). Of the set-aside from Board Designated Tuition for resident undergraduate students, 5% is deposited in the State Treasury into the Texas B-On-Time Loan Program (Section 56.465).

* Based on the FRDT plan for Fall 2014: students who are enrolled for the first time as of Fall 2014 are eligible to receive the FRDT plan until Summer of 2018 on Board Designated Tuition.

Notwithstanding the foregoing, the Texas Higher Education Coordinating Board has authorized the University to charge all residents of Oklahoma the in-state tuition rate, plus an additional $30.00 per semester credit hour, provided that residents of Oklahoma counties that border Texas may be charged in-state tuition without such additional $30.00 per semester credit hour.

The University also has obtained permission from the Texas Higher Education Coordinating Board pursuant to section 54.0601 of the Texas Education Code, as amended, to charge non-resident U.S. undergraduate students a statutory rate of $115 per semester credit hour. Non-resident non-U.S. student are charged a statutory rate of $412 per semester credit hour.

The Board is authorized by Chapter 55 of the Texas Education Code, as amended to set the Pledged Revenues and any other necessary fees, rentals, rates, or other revenue funds of the Board at the level necessary, without limit, to enable the Board to meet its obligations with respect to the payment of debt service on the Parity Obligations. See "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Tuition Revenue Bonds. Pursuant to Chapter 55, Texas Education Code, revenue bonds issued by an institution of higher education, such as the University, may be equally secured by and payable from a pledge of all or a portion of certain revenue funds of the institution and all of the Parity Obligations of the University, including the Bonds, are secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. See "SECURITY FOR THE BONDS". Historically, the Texas Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds ("Tuition Revenue Bonds") issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code.

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the Texas Legislature is prohibited by the State Constitution from making any appropriations for a term longer than two years. Accordingly, the Texas Legislature's appropriations for the reimbursement of debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the State Legislature is under no legal obligation to continue such appropriations in any future biennium.

A portion of the Parity Obligations of the University constitutes Tuition Revenue Bonds. See "Table 4 – Outstanding Indebtedness." Tuition Revenue Bonds issued by the University carry no additional pledge or security and constitute Parity Obligations of the University which are equally and ratably secured by and payable from a pledge of and lien on Pledged Revenues on parity with all other Parity Obligations of the University.

The Texas Legislature has appropriated funds to reimburse the University in prior years in an amount equal to all or a portion of the debt service on the University's Tuition Revenue Bonds, including appropriations made during the 2013 session of the Texas Legislature in the amount of $2,164,236 for Fiscal Year 2014 and $2,157,355 for Fiscal Year 2015.

Neither the University nor the Authority can provide any assurances with respect to any future appropriations by the Texas Legislature. Future levels of State appropriations are dependent upon the ability and willingness of the Texas Legislature to make appropriations to the University taking into consideration the availability of financial resources and other potential uses of such resources.

Endowments. Although not pledged to the payment of debt obligations, the University controls or is benefited by endowments totaling approximately $20,614,134, as of August 31, 2014, which are invested under a separate investment policy that permits equities as well as fixed income and alternative assets. The University endowments were invested at American National Bank and with Luther King Investments on August 31, 2014. The University has also entered into an agreement with Texas A&M University System to invest part of the University's endowed funds. The University moved approximately $11.6 million of endowed funds from Luther King Investments to the Texas A&M University System on March 1, 2015.

Debt Management

Debt management of the University is the responsibility of the Vice President, Business Affairs and Finance. The University evaluates its financing needs pursuant to a debt capacity analysis and annual funding requirements determined by the capital budget. It then submits a request for financing to the Authority. Issuance of debt requires approval of the Board, the Authority, the Texas Bond Review Board, the Texas Attorney General and approval or review by the Coordinating Board.

Future Debt

The University does not anticipate requesting the Authority to issue additional bonds on its behalf within the next twelve months unless additional Tuition Revenue Bond (as defined below) legislation is enacted into law by the 84th Legislature and approved by the Governor. House Bill 100 ("HB 100") passed the Texas House on April 9, 2015 and was voted favorably out of the Texas Senate on May 19, 2015. HB 100 would authorize the Board to acquire, purchase, construct, improve, renovate, enlarge, or equip property and facilities, including roads and related infrastructure, for an academic expansion and revitalization project, to be financed through the issuance of Tuition Revenue Bonds in an aggregate principal amount not to exceed $58,400,000. HB 100 would further authorize the Board to pledge any part of the revenue funds of the University including student tuition charges for the payment of bonds authorized pursuant to HB 100.

Historically, the State Legislature has appropriated general revenue funds in the State's budget each biennium to reimburse institutions of higher education for an amount equal to all or a portion of the debt service on certain revenue bonds ("Tuition Revenue Bonds") issued pursuant to specific statutory authorizations for individual institutions and projects identified in Chapter 55 of the Texas Education Code.

The reimbursement of the payment of debt service on such Tuition Revenue Bonds does not constitute a debt of the State, and the State is not obligated to continue making any such appropriations in the future. Furthermore, the State Legislature is prohibited by the State Constitution from making any appropriation for a term longer than two years. Accordingly, the State Legislature's appropriations for the reimbursement of debt service on Tuition Revenue Bonds may be reduced or discontinued at any time after the current biennium, and the State Legislature is under no legal obligation to continue such appropriations in any future biennium.

Table 4 - Outstanding Indebtedness

As of August 31, 2014, the University had outstanding the following described indebtedness:

Revenue Financing System*	Principal
Revenue Financing System Revenue and Refunding Bonds, Series 2007[1]	$2,970,000
Revenue Financing System Revenue Bonds, Series 2008	32,215,136
Revenue Financing System Revenue Bonds, Series 2010	6,065,000
Revenue Financing System Revenue Refunding Bonds, Series 2012A	3,825,000
Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B	5,155,000
TOTAL REVENUE FINANCING SYSTEM BONDS	$50,230,136

* Excludes the Refunded Bonds.

(1) All or a portion of such issue constitutes Tuition Revenue Bonds that currently qualify the University to be reimbursed from State appropriations for debt service payments made by the University on such obligations. Future reimbursement by the State for such debt service payments is entirely subject to future appropriations by the State Legislature in each subsequent State biennium. See "SELECTED FINANCIAL INFORMATION — Funding for the University — Tuition Revenue Bonds."

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1993, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for qualification of the bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the Board issued by the Authority on behalf of the University secured by and payable from the Pledged Revenues, such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of certain of the Pledged Revenues securing any outstanding Prior Encumbered Obligations, and the approving legal opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, to like effect and to the effect that the interest on the 2015A Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS FOR THE SERIES 2015A BONDS" herein. The forms of Bond Counsel's opinion are attached hereto as Appendix D. In its capacity as Bond Counsel, such firm has reviewed the statements and information appearing under captions "PLAN OF FINANCE" (except under the subcaption "Sources and Uses of Funds"), "DESCRIPTION OF THE BONDS" (except under the subcaption "Redemption Through the Depository Trust Company"), "SECURITY FOR THE BONDS," (except under the subcaption "Table 1 – Pledged Revenues"), "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL MATTERS," (except under the subcaption "Forward-Looking Statements") "TAX MATTERS FOR THE SERIES 2015A BONDS," "TAX MATTERS FOR THE SERIES 2015B BONDS," "LEGAL INVESTMENTS IN TEXAS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), and "APPENDIX B – DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," and such firm is of the opinion that the statements and information contained under such captions and subcaptions provides an accurate and fair description of the Bonds and the Resolution and are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the book-entry-only system. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Authority.

Certain legal matters will be passed upon for the Authority by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Disclosure Counsel to the Authority whose legal fee is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas whose legal fee is contingent on the sale and delivery of the Bonds. Bond Counsel and Disclosure Counsel periodically serve in other capacities on other separate and unrelated offerings of securities by the Authority.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the University, that are not purely historical, are forward-looking statements, including statements regarding the University's expectations, hopes, intentions or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the University on the date hereof, and the University and the Authority assume no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. Therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

TAX MATTERS FOR THE SERIES 2015A BONDS

General

In the opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, interest on the Series 2015A Bonds will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Series 2015A Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Series 2015A Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the Authority and the Board with certain covenants contained in the Resolution and has relied on representations by the Authority and the Board with respect to matters solely within the knowledge of the Authority and the Board, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Series 2015A Bond proceeds and any facilities financed therewith, the source of repayment of the Series 2015A Bonds, the investment of Series 2015A Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Series 2015A Bond proceeds and certain other amounts be paid periodically to the United States and that the Authority file an information report with the Internal Revenue Service. If the Authority and the Board should fail to comply with the covenants in the Resolution or if the representations relating to the Bonds that are contained in the Resolution should be determined to be inaccurate or incomplete, interest on the Series 2015A Bonds could become taxable from the date of delivery of the Series 2015A Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on the Series 2015A Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Series 2015A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the Board described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2015A Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners of the Series 2015A Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2015A Bonds, the Authority and the Board may have different or conflicting interests from the owners of the Series 2015A Bonds. Public awareness of any future audit of the Series 2015A Bonds could adversely affect the value and liquidity of the Series 2015A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Series 2015A Bonds, received or accrued during the year.

Prospective purchasers of the Series 2015A Bonds should be aware that the ownership of tax-exempt obligations, such as the Series 2015A Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Series 2015A Bonds.

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Series 2015A Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Series 2015A Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Series 2015A Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount Bonds

Some of the Series 2015A Bonds may be offered at an initial offering price which is less than the stated redemption price at maturity of such Series 2015A Bonds. If a substantial amount of any maturity of the Series 2015A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2015A Bonds of that maturity (the "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Series 2015A Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Series 2015A Bonds under the caption "TAX MATTERS FOR THE SERIES 2015A BONDS" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Bond at the initial offering price in the initial public offering of the Series 2015A Bonds and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Series 2015A Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Series 2015A Bond. See "TAX MATTERS FOR THE SERIES 2015A BONDS — General" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Authority. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Series 2015A Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Series 2015A Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Series 2015A Bonds may be offered at an initial offering price which exceeds the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Series 2015A Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Series 2015A Bonds of such maturity (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Series 2015A Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium with respect to a Premium Bond. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium with respect to a Premium Bond. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Series 2015A Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Series 2015A Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Series 2015A Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Series 2015A Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

TAX MATTERS FOR THE SERIES 2015B BONDS

General

The following is a general summary of United States federal income tax consequences of the purchase and ownership of the Series 2015B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2015B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, broker-dealers, and persons who have hedged the risk of owning the Series 2015B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2015B Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Series 2015B Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Series 2015B Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and the discussion below is not binding on the IRS.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2015B BONDS.

Stated Interest On The Series 2015B Bonds

The stated interest on the Series 2015B Bonds will be included in the gross income, as defined in section 61 of the Code and in the net investment income, for purposes of the 3.8% Medicare tax imposed by Section 1411 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when paid or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Disposition Of Series 2015B Bonds

A beneficial owner of Series 2015B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Series 2015B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Series 2015B Bond. Generally, the beneficial owner's adjusted tax basis in a Series 2015B Bond will be the beneficial owner's initial cost, increased by any original issue discount previously included in the beneficial owner's income to the date of disposition and reduced by any amortized bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series 2015B Bond.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Series 2015B Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" with respect to current or accrued interest on the Series 2015B Bonds or with respect to proceeds received from a disposition of Series 2015B Bonds. This withholding applies if such beneficial owner of Series 2015B Bonds: (i) fails to furnish to the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Series 2015B Bonds. Beneficial owners of the Series 2015B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding On Payments To Nonresident Alien Individuals And Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such beneficial owners of Series 2015B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2015B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Series 2015B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2015B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8

BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Reporting Of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to Series 2015B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2015B Bond for U.S. federal income tax purposes.

LEGAL INVESTMENTS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business & Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended, the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

Neither the Authority nor the University has made any investigation of other laws, rules, regulations or investment criteria that might apply to such institutions or entities or that might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. Neither the Authority nor the University has made any review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

The Bonds were assigned ratings by Fitch Ratings and Moody's Investors Service, Inc. of "AA-" and "A1" respectively. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board and the Authority make no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Board, as the obligated party on the Bonds, has made the following agreement for the benefit of the Authority and the holders and beneficial owners of the Bonds. The Board is required to observe its agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge via the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The Board will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the University of the general type included in this Official Statement under the heading(s) "SECURITY FOR THE BONDS

– Table 1 – Pledged Revenues," "MIDWESTERN STATE UNIVERSITY" and "SELECTED FINANCIAL INFORMATION." The Board will update and provide this information within six months after the end of each Fiscal Year. The Board will provide the updated information to the Authority and the MSRB.

The Board may provide updated information in full text or may incorporate by reference to documents available on EMMA or with the SEC. The updated information will include annual audited financial statements of the University, if the Board commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Board will provide unaudited statements and audited financial statements when and if such audited financial statements become available. Any such financial statements of the University will be prepared in accordance with the accounting principles described in "APPENDIX C – UNAUDITED FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY" hereof or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation. It is not expected that the Board will commission an audit. Hence, unaudited financial statements, as shown in "APPENDIX C – UNAUDITED FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY," are expected to be provided. The University is audited as part of the State of Texas audit, but separate financial statements are not available.

The Board's current Fiscal Year end is August 31. Accordingly, the Board must provide updated information within six months following August 31 of each year, unless the Board changes its Fiscal Year. If the Board changes its Fiscal Year, the Board will notify the MSRB via EMMA of the change.

Event Notices

The Board also will provide timely notices of any of the following events with respect to the Bonds (not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Board; (13) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or change of name of the trustee, if material. Neither the Bonds nor the Resolution make any provision for liquidity enhancement or require the funding of debt service reserves. In addition, the Board will provide timely notice of any failure by the Board to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The Board will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

For the purposes of the event numbered 12 in the preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the University, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University.

Availability of Information

The Board has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB via EMMA.

Limitations and Amendments

The Board has agreed to update information and to provide notices of events only as described above. The Board has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Board makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Board disclaims any contractual or tort liability of damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Board to comply with its agreement.

The Board may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Board (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Board may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of said rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds. If the Board so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Agreements

During the past five years, the Board has complied in all material respects with its continuing disclosure agreements in accordance to the Rule.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions set forth in a bond purchase agreement with the Authority, to purchase the Series 2015A Bonds at a purchase price of $55,858,855.70 (which represents the par amount of the Series 2015A Bonds, plus a net original issue premium of $2,759,402.35 and less an underwriting discount of $235,546.65) and the Series 2015B Bonds at a purchase price of $3,741,603.80 (which represents the par amount of the Series 2015B Bonds and less an underwriting discount of $13,396.20).

One of the Underwriters is BOSC, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

RBC Capital Markets, LLC (“RBCCM”) has provided the following information for inclusion in this Official Statement: RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Loop Capital Markets has provided the following information for inclusion in this Official Statement: Loop Capital Markets has entered into distribution agreements (each a “Distribution Agreement”) with each of UBS Financial Services Inc. (“UBSFS”), Deutsche Bank Securities Inc. (“DBS”) and Credit Suisse Securities LLC (“CS”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement (if applicable to this transaction), each of UBSFS, DBS and CS will purchase Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

FINANCIAL ADVISOR

First Southwest Company, LLC, has acted as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Although the Financial Advisor has read and participated in the preparation of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's and the University's records and from other sources that are believed to be reliable. No guarantee is made as to the accuracy or completeness of any such information.

No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority, and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The mathematical accuracy of certain computations included in the schedules provided by the Financial Advisor and reviewed by the Authority and the University relating to the computation of forecasted receipts of principal and interest on the Escrow Securities held in the Escrow Fund for the Refunded Bonds and the forecasted payments of principal, premium, if any, and interest to pay the Refunded Bonds were verified by Grant Thornton LLP, certified public accountants. Such computations were based solely on assumptions and information supplied by the Financial Advisor and reviewed by the Authority and the University. Grant Thornton LLP has restricted its procedures to verifying the mathematical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Series 2015A Bonds for federal income tax purposes and with respect to defeasance of the Refunded Bonds. See "TAX MATTERS FOR THE SERIES 2015A BONDS."

LITIGATION

The University is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) that, if decided adversely to the University, would have a material adverse effect on the financial statements or operations of the University.

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AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from the Board's and the Authority's records, unaudited financial statements and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

/s/ Lee Deviney
Lee Deviney, Executive Director
Texas Public Finance Authority

/s/ Dr. Marilyn Fowlé
Dr. Marilyn Fowlé, Vice President,
Business Affairs and Finance
Midwestern State University

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS
Series 2015A Bonds

The following Outstanding Parity Obligations are being defeased and refunded with a portion of the Series 2015A Bonds:

Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2003

Maturity Date	Interest Rate	Par Amount	Redemption Date	CUSIP No.*
12/01/2015	4.350%	$600,000	07/30/2015	882756PF0

Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007

Maturity Date	Interest Rate	Par Amount	Redemption Date	CUSIP No.*
12/01/2017	4.000%	$1,265,000	12/01/2016	882756YL7
12/01/2018	4.125	1,315,000	12/01/2016	882756YM5
12/01/2019	4.250	810,000	12/01/2016	882756YN3
12/01/2020	4.375	840,000	12/01/2016	882756YP8
12/01/2021	4.375	880,000	12/01/2016	882756YQ6
12/01/2022	4.400	925,000	12/01/2016	882756YR4
12/01/2023	4.400	960,000	12/01/2016	882756YS2
12/01/2024	4.500	1,005,000	12/01/2016	882756YT0
12/01/2025	4.500	1,050,000	12/01/2016	882756YU7
12/01/2026	4.500	1,105,000	12/01/2016	882756YV5
12/01/2027	4.500	1,155,000	12/01/2016	882756YW3
*****	*****	*****	*****	*****
12/01/2029	4.625	1,165,000	12/01/2016	882756YY9
*****	*****	*****	*****	*****
12/01/2032	4.625	1,610,000	12/01/2016	882756ZB8
		$14,085,000		

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

Series 2015B Bonds

The following Outstanding Parity Obligations are being defeased and refunded with a portion of the Series 2015B Bonds:

Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007

Maturity Date	Interest Rate	Par Amount	Redemption Date	CUSIP No.*
12/01/2017	4.000%	$315,000	12/01/2016	882756YL7
12/01/2018	4.125	325,000	12/01/2016	882756YM5
12/01/2019	4.250	200,000	12/01/2016	882756YN3
12/01/2020	4.375	210,000	12/01/2016	882756YP8
12/01/2021	4.375	220,000	12/01/2016	882756YQ6
12/01/2022	4.400	230,000	12/01/2016	882756YR4
12/01/2023	4.400	240,000	12/01/2016	882756YS2
12/01/2024	4.500	250,000	12/01/2016	882756YT0
12/01/2025	4.500	265,000	12/01/2016	882756YU7
12/01/2026	4.500	275,000	12/01/2016	882756YV5
12/01/2027	4.500	285,000	12/01/2016	882756YW3
*****	*****	*****	*****	*****
12/01/2029	4.625	290,000	12/01/2016	882756YY9
*****	*****	*****	*****	*****
12/01/2032	4.625	405,000	12/01/2016	882756ZB8
		$3,510,000		

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor or the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

APPENDIX A

BOOK-ENTRY-ONLY SYSTEM

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof and such information is not to be construed as a representation by any of the Authority, the Financial Advisor or the Underwriters.

The Authority and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of the Bonds, as set forth on the inside of the cover pages hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed, unless a pro rata pass-through distribution of principal basis is selected in accordance with DTC's procedures.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Commission or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

APPENDIX B

DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Annual Debt Service Requirements" means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Board on such Debt, or be payable in respect of any required purchase of such Debt by the Board) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Board:

(1) Committed Take Out. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Board) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the Board and the Authority an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the Board has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate. As to any Parity Obligation that bears interest at a variable interest rate that cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Board, either (1) an interest rate equal to the average rate borne by such Parity Obligations (or by

comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24-month period ending within 30 days prior to the date of calculation, or (2) an interest rate equal to the 30-year Tax-Exempt Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of tax-exempt revenue bonds with maturities of at least 20 years that is published in a newspaper or journal with national circulation may be used for this purpose. If two Series of Parity Obligations which bear interest at variable interest rates, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations;

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Board does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Board is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of Annual Debt Service Requirements with respect to such guarantee shall be made assuming that the Board will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Board no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the Board, or the Authority on behalf of the Board, has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Board or, the Authority on behalf of the Board, as the case may be, or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) that are to be replaced by payments under a Credit Agreement, from either the Board or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Annual Direct Obligation" means the amount budgeted each Fiscal Year by the Board with respect to each Participant in the Financing System to satisfy said Participant's proportion of debt service (calculated based on said Participant's Direct Obligation) due by the Board in such Fiscal Year on Outstanding Parity Obligations.

"Annual Obligation" means, with respect to each Participant in the Financing System and for each Fiscal Year, said Participant's Annual Direct Obligation plus the amount budgeted by the Board for such Fiscal Year to allow said Participant to retire its obligation for advances made to it by the Board in the management of the Financing System to satisfy part or all of a previous Annual Direct Obligation payment.

"Authority" means the Texas Public Finance Authority, or any successor thereto.

"Authorized Denomination" means any authorized denomination established in the Pricing Certificate.

"Board" means the Board of Regents of Midwestern State University, acting as the governing body of the University, or any successor thereto.

"Bond Counsel" means Andrews Kurth LLP or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal revenue bonds selected by the Authority.

"Bond Purchase Agreement" shall mean the agreement between the Authority and the Underwriter referred to in Section 22 of the Resolution.

"Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2015A and the Texas Public Finance Authority Midwestern State University Revenue Financing System Refunding Bonds, Taxable Series 2015B issued pursuant to the terms of the Resolution and the Pricing Certificate, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to the Resolution; and the term "Bond" means any of the Bonds.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Credit Agreement" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board or the Authority on behalf of the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

"Credit Provider" means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

"DTC" means The Depository Trust Company, New York, New York, or any successor securities depository thereto.

"DTC Participant" means the securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC participants.

"Debt" means all:

(1) indebtedness incurred or assumed by the Board for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the Board that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the Board, or that is in effect guaranteed, directly or indirectly, by the Board through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the Board whether or not the Board has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the Board, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the Board in prior Fiscal Years.

"Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent.

"Designated Financial Officer" means the Vice President, Business Affairs and Finance of the University, or such other official of the University appointed by the Board to carry out the functions of the Designated Financial Officer specified herein.

"Designated Trust Office" shall have the meaning ascribed to said term in Section 12(b) of the Resolution.

"Direct Obligation" means the proportionate share of Outstanding Parity Obligations attributable to and the responsibility of each Participant in the Financing System.

"Escrow Agent" means the place of payment for the Refunded Bonds or trust company or commercial bank identified in an escrow agreement, and its successors in such capacity.

"Executive Director" means the duly acting Executive Director of the Authority, and any person authorized by the Board of Directors of the Authority to serve in the capacity of and perform the duties and obligations of the Executive Director.

"Federal Securities" as used herein means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

"Fiscal Year" means the fiscal year of the Board, which currently ends on August 31 of each year.

"Funded Debt" means all Parity Obligations that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the Board to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the Board.

"Holder" or "Bondholder" or "Owner" means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer.

"Initial Bond" means the Bond authorized, issued, and initially delivered as provided in Section 12(l) of the Resolution.

"Maturity", when used with respect to any Debt, means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"MSRB" means the Municipal Securities Rulemaking Board.

"Non-Recourse Debt" means any Debt secured by a lien (other than a lien on Pledged Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the Board attributable to the Financing System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the Board and being used in the operations of a Participant.

"Officer's Certificate" means a certificate executed by the Designated Financial Officer.

"Opinion of Counsel" means a written opinion of counsel, which counsel shall be acceptable to the Authority and the Board.

"Outstanding" when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under the Resolution and any resolution hereafter adopted authorizing the issuance of Parity Obligations, except:

(1) Parity Obligations theretofore cancelled and delivered to the Board or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 19 of the Resolution or any comparable section of any resolution hereafter adopted authorizing the issuance of Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Resolution; and

(4) Parity Obligations under which the obligations of the Board have been released, discharged, or extinguished in accordance with the terms thereof, provided, however, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the Board shall be deemed to be Outstanding as though it was owned by any other owner.

"Outstanding Principal Amount" means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any Record Date established by a Registrar in connection with a proposed amendment of the Resolution.

"Parity Obligations" means all Debt of the Board that may be issued or assumed in accordance with the terms of the Resolution and any resolution authorizing the issuance of Debt that remains outstanding and on a parity with the Bonds, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations. For purposes of this definition, the Previously Issued Parity Obligations and the Bonds constitute Parity Obligations.

"Parity Obligation Resolution" means a resolution authorizing the issuance of Parity Obligations.

"Participant in the Financing System" and "Participant" means each of the agencies, institutions, and branches of the University and such agencies, institutions, and branches hereafter designated by the Board to be a participant in the Financing System. Currently, the University is the only Participant in the Financing System.

"Paying Agent/Registrar," or "Paying Agent" or "Registrar" means each of the agents (one or more) appointed pursuant to Section 12 of the Resolution, or any successor to any such agent.

"Pledged Revenues" means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Participant of the Financing System that are lawfully available to the Board for payments on Parity Obligations; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a resolution authorizing the issuance of Parity Obligations: (a) amounts received by the University under Article VII, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; and (b) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas.

"Previously Issued Parity Obligations" means the following outstanding bonds: Series 2003 Bonds, the Series 2007 Bonds, the Series 2008 Bonds, the Series 2010 Bonds, the Series 2012A Bonds and the Series 2012B Bonds.

"Pricing Certificate" means the Pricing Certificate of the Pricing Committee to be executed and delivered pursuant to the Resolution in connection with each series of the Bonds.

"Pricing Committee" means Ruth C. Schiermeyer, Gerald B. Alley and Walker N. Moody, the members of the Authority's Board of Directors who are authorized to act on behalf of the Authority in selling and delivering the bonds, with Billy M. Atkinson, Jr., Rodney K. Moore and Robert T. Roddy, Jr. designated as the alternates.

"Prior Encumbered Obligations" means those outstanding bonds or other obligations of an institution that becomes a Participant of the Financing System after the date of adoption of the Resolution, that are secured by a lien on and pledge of the Prior Encumbered Revenues charged and collected at such institution or agency, and any other bonds or other obligations secured by revenues that are hereafter designated by the Board as a Pledged Revenue.

"Prior Encumbered Revenues" means (i) the revenues pledged to the payment of Prior Encumbered Obligations of the University and (ii) the revenues of any revenue producing system or facility of an institution or agency which hereafter becomes a Participant of the Financing System and that are pledged to the payment of bonds or other obligations outstanding on the date such institution or agency becomes a Participant of the Financing System.

"Record Date" means, with respect to the Bonds, the fifteenth day of the month next preceding each interest payment date or such other date specified in the Pricing Certificate.

"Refundable Bonds" means the Series 2003 Bonds and the Series 2007 Bonds.

"Refunded Bonds" means the Refundable Bonds that are refunded and defeased with proceeds of Bonds and other lawfully available funds, if any, as determined by the Pricing Committee and identified in the Pricing Certificate.

"Registration Books" means the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 12 of the Resolution.

"Resolution" means the Resolution authorizing the sale of the Bonds.

"Revenue Financing System" or "Financing System" means the "Midwestern State University Revenue Financing System", currently for the benefit of the University, and such other institutions and agencies now or hereafter under the control or governance of the Board, and made a Participant of the Revenue Financing System by specific action of the Board.

"Revenue Funds" means the "revenue funds" of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Participants. To the extent authorized by law, the definition for "Revenue Funds" includes student recreational and health facilities fees authorized by Section 54.5441, Texas Education Code; provided that such fees may be used only for recreation, health and wellness facilities and programs at the University. To the extent authorized by law, the definition for "Revenue Funds" includes an intercollegiate athletics fee authorized by Section 54.5442, Texas Education Code; provided however, that such fee may be used only to develop and maintain an intercollegiate athletics program at the University, including providing funds to finance, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities or infrastructure related to such program. The term "Revenue Funds" does not include, with respect to each series or issue of Parity Obligations, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption by the Board of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition, rentals, rates, fees, or other charges.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Series 2003 Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2003, issued in the original aggregate principal amount of $13,180,000.

"Series 2007 Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2007, issued in the original aggregate principal amount of $28,855,000.

"Series 2008 Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2008, issued in the original aggregate principal amount of $38,300,136.10.

"Series 2010 Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2010, issued in the original aggregate principal amount of $6,700,000.

"Series 2012A Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Series 2012A, issued in the original aggregate principal amount of $4,710,000.

"Series 2012B Bonds" means the Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Refunding Bonds, Taxable Series 2012B, issued in the original aggregate principal amount of $5,415,000.

"Stated Maturity" when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" means any Debt that expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

"Taxable Bonds" means any Bond designated by the Pricing Committee in the Pricing Certificate as a Taxable Bond, the interest on which is not excludable from the gross income of the owner thereof for federal income tax purposes.

"Tax-Exempt Bonds" means any Bonds designated by the Pricing Committee in the Pricing Certificate as a Tax-Exempt Bond, the interest on which is excludable from the gross income of the owner thereof for federal income tax purposes, pursuant to section 103 of the Code.

"Term of Issue" means with respect to any Balloon Debt, including, without limitation, commercial paper, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

"TPFA Act" means Chapter 1232, Texas Government Code, as amended.

"Underwriter" shall have the meaning ascribed to said term in Section 22 of the Resolution.

"University" means Midwestern State University, together with every other agency or general academic institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board acting for and on behalf of Midwestern State University pursuant to law.

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The information contained in this section is a summary of certain provisions of the Resolution and is in addition to other information in such documents which is summarized elsewhere in this Official Statement under the captions "PLAN OF FINANCE," "DESCRIPTION OF THE BONDS" and "SECURITY FOR THE BONDS." This information is intended as a summary only and is qualified in its entirety by reference to the complete Resolution, copies of which may be obtained from the office of the Vice President, Business Affairs and Finance of Midwestern State University.

Establishment of Revenue Financing System

The Revenue Financing System has been established to provide a consolidated financing structure for revenue-supported debt obligations of the Board, including the Bonds, which are to be issued for the benefit of Participants that are or will be included as part of the Revenue Financing System. The University is the only current Participant, but the Revenue Financing System may include other agencies, institutions and branches that are hereafter designated by the Board to be a participant in the Revenue Financing System. Each issue or series of Parity Obligations is to be provided for under a separate resolution consistent with the provisions of the Resolution.

Security and Pledge; Membership in the Revenue Financing System

Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations, Parity Obligations issued under the Resolution are payable from and secured by a lien on all Pledged Revenues. The Authority (on behalf of the Board) has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Obligations and to the establishment and maintenance of any funds that may be created under the Resolution or a supplemental resolution to secure the repayment of Parity Obligations. The Authority, upon approval and consent of the Board, may execute and deliver one or more Credit Agreements to additionally secure Parity Obligations. Credit Agreements may also be secured by a pledge of Pledged Revenues on a parity with or subordinate to Parity Obligations.

If an additional institution hereafter comes under the management and control of the Board, the Board may include the institution as a Participant of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Resolution and effective when such institution becomes a Participant of the Revenue Financing System will apply to the revenues, funds, and balances of such Participant that constitute Pledged Revenues; provided, however, that if at the time a new Participant is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations secured by a lien on the portion of the Pledged Revenues providing such security that is superior to the lien established by the Resolution on behalf of Parity Obligations. The Board has reserved the right to refund Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations. Otherwise, while any Parity Obligations are outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

Annual and Direct Obligation of Participants

The Resolution provides that each Participant of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Resolution that in establishing the annual budget for each Participant of the Revenue Financing System, it will provide for the satisfaction by each Participant of its Annual Obligation.

Pledged Revenues

Tuition and Other Pledged Revenues. Subject to the provisions of the resolutions authorizing the Prior Encumbered Obligations and to the other provisions of the Resolution and any resolution authorizing the issuance of Parity Obligations, the Board has covenanted and agreed at all times to fix, levy, charge, and collect at each Participant from each student enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, tuition charges in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Obligations then outstanding when and as required. Students exempt by law or the Board may be excluded from the requirement to pay student tuition. Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues will be adjusted, if and when permitted or required by the Resolution, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with the Parity Obligations then outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Participants, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Participant, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits in connection with the Parity Obligations then outstanding. All changes in the tuition charged students at each Participant must be made by a resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

Annual Obligation. If, in the judgment of the Board, any Participant has been or will be unable to satisfy its Annual Obligation, the Board must fix, levy, charge, and collect, rentals, rates, fees, and charges for goods and services furnished by such Participant and, with respect to the Participants with enrolled students, tuition, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions discussed below), together with other legally available funds, including other Pledged Revenues attributable to such Participant, to enable it to make its Annual Obligation payments.

Anticipated Deficit. If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be sufficient legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Revenue Financing System, including the deposits and payments due on or with respect to the Parity Obligations outstanding at that time as the same mature or come due or (ii) that any Participant will be unable to pay its Annual Direct Obligation in full, then the Board must fix, levy, charge, and collect such rentals, rates, fees, tuition, or other charges, at each Participant with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided below), as will be at least sufficient to provide, together with other legally available funds, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Revenue Financing System including all payments and deposits due on or with respect to outstanding Parity Obligations when and as required by the Resolution.

Economic Effect of Adjustments. Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues at any of the Participants pursuant to the provisions described above will be based upon a certificate and recommendation of a Designated Financial Officer, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Participants (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Participant) that are anticipated to result in (i) Pledged Revenues attributable to each Participant being sufficient (to the extent possible) to satisfy the Annual Obligation of such Participant and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits and payments due on or in connection with outstanding Parity Obligations when and as required by the Resolution.

Payment and Funds

The Board has covenanted in the Resolution to make available to the Paying Agent/Registrar for Parity Obligations, on or before each payment date, money sufficient to pay any and all amounts due on such Parity Obligations on such payment date.

The Resolution allows the Board to establish one or more reserve funds or accounts to further secure any Parity Obligations. Currently, the Board has not established a reserve fund to secure the payment of the Parity Obligations.

Additional Parity Obligations; Non-Recourse Debt and Subordinated Debt

In the Resolution, the Board reserves the right to issue or incur additional Parity Obligations for any purpose authorized by law. The Board may incur, assume, guarantee, or otherwise become liable in respect of additional Parity Obligations if the Board determines that it will have sufficient funds to meet the financial obligations of the University, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Obligations unless (i) it determines that the Participant or Participants for whom Parity Obligations are being issued or incurred possesses the financial capacity to satisfy their respective Direct Obligations, after taking into account the then proposed additional Parity Obligations, and (ii) a

Designated Financial Officer delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Resolution and any supplemental resolution authorizing outstanding Parity Obligations, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt that expressly provides that all payments thereon will be subordinated to the timely payment of all Parity Obligations.

Participants

Combination or Release of Participants. The Resolution recognizes that the State may combine or divide Participant institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action must not violate the Resolution or require any amendment thereof. The Resolution also provides that subject to the conditions set forth below, any Participant or portion thereof may be closed and abandoned by law or may be removed from the Revenue Financing System (thus deleting the revenues, income, funds, and balances attributable to said Participant or portion thereof from the Pledged Revenues) without violating the terms of the Resolution provided:

> (1) the Board approves and delivers to the Authority an Officers' Certificate to the effect that, to the knowledge thereof, after the release of the Participant or portion thereof, the Board will have sufficient funds during each Fiscal Year in which Parity Obligations will thereafter be outstanding to meet the financial obligations of the Board, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and
>
> (2) the Board and the Authority have received an Opinion of Counsel that states that such release will not affect the status for federal income tax purposes of interest on any Outstanding Parity Obligations and that all conditions precedent provided in the Resolution or any supplement relating to such release have been complied with; and
>
> (3)(A) if the Participant or portion thereof to be released from the Revenue Financing System is to remain under the governance and control of the Board, the Board must either (i) provide, from lawfully available funds, including Pledged Revenues attributable to said withdrawing Participant, for the payment or discharge of said Participant's Direct Obligations or (ii) pledge to the payment of Parity Obligations additional resources not then pledged in an amount sufficient to satisfy such withdrawing Participant's Direct Obligations; or (B) if the Participant or portion thereof to be released from the Revenue Financing System is to no longer be under the governance and control of the Board and remains in operation independent of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or the portion thereof being withdrawn, obligating said governing body to make payments to the Board at the times and in the amounts equal to said Participant's Annual Obligations or to pay or discharge said Participant's Direct Obligations, or, in the case of a portion of a Participant being withdrawn, the proportion of the Participant's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Participant.

Disposition of Assets. In the Resolution, the Board has reserved the right to convey, sell, or otherwise dispose of any properties of the Board attributable to a Participant of the Revenue Financing System, provided that:

> (1) such disposition must occur in the ordinary course of business of the Participants of the Revenue Financing System responsible for such properties; or
>
> (2) the Board determines that after the disposition, the Board has sufficient funds during each Fiscal Year during which Parity Obligations are to be Outstanding to meet the financial obligations of each Participant in the Revenue Financing System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Admission of Participants. If, after the date of the adoption of the Resolution, the Board desires for an institution or agency governed by the Board to become a Participant of the Revenue Financing System, it may include said institution or agency in the Revenue Financing System with the effect set forth in the Resolution by the adoption of an amendment to the Resolution.

Certain Covenants

Rate Covenant. In each Fiscal Year, the Board must establish, charge, and use its reasonable efforts to collect at each Participant the Pledged Revenues that, if collected, would be sufficient to meet all financial obligations of the Board for such Fiscal Year relating to the Revenue Financing System including all deposits or payments due on or with respect to (i) the Prior Encumbered Obligations and (ii) all Outstanding Parity Obligations.

Tuition. The Board covenants and agrees in the Resolution to fix, levy, charge, and collect at each Participant student tuition charges required or authorized by law to be imposed on students enrolled at each Participant (excepting, with respect to each series or issue of Parity Obligations, any student in a category which, at the time of adoption of a resolution relating to such Parity Obligations, is exempt by law or by the Board from paying such tuition charges). Each student (excluding those exempt from payment as provided above), enrolled at each Participant, respectively, at each regular fall and spring semester and at each term of each summer session, must pay tuition charges in such amounts, without any limitation whatsoever, as will be sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to Outstanding Parity Obligations when and as required. All changes in the tuition charged students at each Participant must be made by resolution of the Board, but such procedure will not constitute or be regarded as an amendment of the Resolution, but merely the carrying out of the provisions and requirements thereof.

General Covenants. The Board has additionally covenanted in the Resolution (i) to faithfully perform all covenants and provisions contained in the Resolution, and in each Parity Obligation; (ii) to call for redemption all Parity Obligations, in accordance with their terms, which are subject to mandatory redemption; (iii) that it lawfully owns, has title to, or is lawfully possessed of the land, buildings, and facilities that comprise the University and to defend such title for the benefit of the owners of the Parity Obligations; (iv) that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations; (v) to maintain and preserve the property of the Revenue Financing System; (vi) not to incur any additional debt secured by the Pledged Revenues except as permitted in the Resolution; (vii) to invest and secure money held in funds and accounts established under the Resolution in accordance with law and written policies of the Board; (viii) to keep proper books and records and account for the Revenue Financing System and to cause to be prepared annual financial reports of the Revenue Financing System and to furnish such report to the Authority, appropriate municipal bond rating agencies and, upon request, owners of Parity Obligations; and (ix) to permit any owner or owners of 25% or more of Outstanding Principal Amount of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the Board relating to the Revenue Financing System.

Special Obligations

The Resolution provides that all Parity Obligations and the interest thereon constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Resolution out of the Pledged Revenues is absolute, irrevocable, complete, and unconditional, and the amount, manner and time of payment of such amounts may not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

Waiver of Covenants

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant, its covenants relating to issuance of Parity Obligations, its covenants governing disposition of Participant assets, or its covenants relating to admission and release of Participants if the holders of at least 51% of all Parity Obligations outstanding waive such compliance.

Remedies

Any owner of Parity Obligations in the event of default in connection with any covenant contained in the Resolution or default in the payment of said obligations, or of any interest due thereof, or other costs and expenses related thereto, may require the Board, the Authority, their respective officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of the Resolution by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, the Authority, or any appropriate official of the State of Texas. The principal of the Bonds cannot be accelerated in the event of default, and the Board has not granted a lien on any physical property that may be levied or foreclosed against.

Amendment of Resolution

Amendment Without Consent. The Resolution and the rights and obligations of the Authority, the Board and of the owners of the Outstanding Parity Obligations may be modified or amended at any time without notice to or the consent of any owner of the Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board or the Authority contained in the Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board or the Authority in the Resolution;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in the Resolution, upon receipt by the Board and the Authority of any approving opinion of Bond Counsel that the same is needed for such purpose and will more clearly express the intent of the Resolution;

(iii) To supplement the security for the Parity Obligations to provide for the additions of new institutions and agencies to the Revenue Financing System or to clarify the provisions regarding the University as a Participant in the Revenue Financing System; provided, however, that any amendment to the definition of Pledged Revenues that results in the pledge of additional resources may limit the amount of such additional pledge and the manner, extent, and duration of such additional pledge all as set forth in such amendment;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of the Parity Obligations;

(v) To make such changes, modifications, or amendments as may be necessary or desirable, which will not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations;

(vi) To make such other changes in the provisions of the Resolution as the Board and the Authority may deem necessary or desirable and which do not, in the judgment of the Board and the Authority, materially adversely affect the interests of the owners of Outstanding Parity Obligations; or

(vii) To make such other amendments as necessary to comply with Rule 15c2-12.

Amendments With Consent. Subject to the other provisions of the Resolution, the owners of Parity Obligations aggregating 51% in Outstanding Principal Amounts have the right from time to time to approve any amendment, other than amendments described in the foregoing paragraph, to the Resolution, that may be deemed necessary or desirable by the Board; provided, however, that no provision may permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Obligations, the amendment of the terms and conditions in the Resolution so as to:

(i) Grant to the owners of any Outstanding Parity Obligations a priority over the owners of any other Outstanding Parity Obligations;

(ii) Materially adversely affect the rights of the owners of less than all Parity Obligations then Outstanding;

(iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment;

(iv) Make any change in the maturity of the Outstanding Bonds;

(v) Reduce the rate of interest borne by the Outstanding Bonds;

(vi) Reduce the amount of principal payable on the Outstanding Bonds;

(vii) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment; or

(viii) Adversely affect the tax-exempt status of the interest on the Outstanding Tax-Exempt Bonds to the owners thereof.

Defeasance

The Resolution provides for the defeasance of the Bonds and the termination of the pledge of revenues and all other general defeasance covenants in the Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of the Resolution, except to the extent provided below for the Paying Agent to continue payments and for the Authority to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent for such payment, (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the Authority with the Paying Agent for the payment of its services until after all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged as provided in the Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of a Bond when proper notice of redemption of such Bond shall have been given in accordance with the Resolution. Any money so deposited with the Paying Agent may, at the discretion of the Authority, also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Resolution, and all income from such Defeasance Securities received by the Paying Agent that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board or the Authority, as directed by the Authority.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Bonds the same as if they had not been defeased, and the Authority shall make, or cause the Board to make, proper arrangements to provide and the Board shall pay for such services as required by the Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the Authority retains the right under Texas law to later call that Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the Authority may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Bond as through it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Any escrow agreement or other instrument entered into between the Authority and the Paying Agent pursuant to which money and/or Defeasance Securities are held by the Paying Agent for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited shall be turned over to the Board or the Authority, as directed by the Authority.

There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease Bonds as described above will be maintained at any particular rating category.

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APPENDIX C

UNAUDITED FINANCIAL REPORT OF MIDWESTERN STATE UNIVERSITY

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Midwestern State University

Financial Report
(Unaudited)
For The Year Ended
August 31, 2014

Midwestern State University

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Year
Ended
8-31-2014
(UNAUDITED)

Table of Contents

MIDWESTERN
STATE UNIVERSITY

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

November 18, 2014

Honorable Rick Perry, Governor
Honorable Susan Combs, State Comptroller
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of Midwestern State University for the year ended August 31, 2014, 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 significant changes related to 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 be in compliance with GAAP. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

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

Sincerely,

Jesse W. Rogers
President

MIDWESTERN
STATE UNIVERSITY

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

November 18, 2014

Dr. Jesse Rogers, President
Midwestern State University
Wichita Falls, TX 76308

Dear Dr. Rogers,

Submitted herein is the Annual Financial Report of Midwestern State University for the fiscal year ended August 31, 2014.

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

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

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

Respectfully Submitted,

Chris Stovall
Controller

Approved:

Marilyn Fowlé, Vice President
Business Affairs and Finance

ANNUAL FINANCIAL REPORT

Year Ended 8-31-2014 (UNAUDITED)

ORGANIZATIONAL DATA
August 31, 2014

THE BOARD OF REGENTS

Term Expires May 31, 2015

Mr. Jesse Brown, Student Regent	Wichita Falls

Term Expires February 25, 2016

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

Term Expires February 25, 2018

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

Term Expires February 25, 2020

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

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

PRESIDENT

Dr. Jesse W. Rogers

UNIVERSITY FISCAL OFFICERS

Dr. Marilyn Fowlé	Vice President for Business Affairs & Finance
Mr. Chris Stovall	Controller

Midwestern State University
Management's Discussion & Analysis - Unaudited

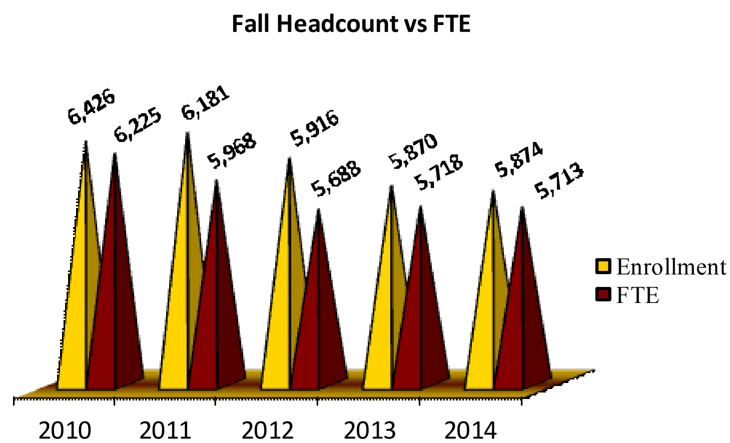
The objective of Management's Discussion and Analysis is to help readers of Midwestern State University's financial statements better understand the financial position and operating activities of the university for the fiscal years ended August 31, 2014 and 2013.

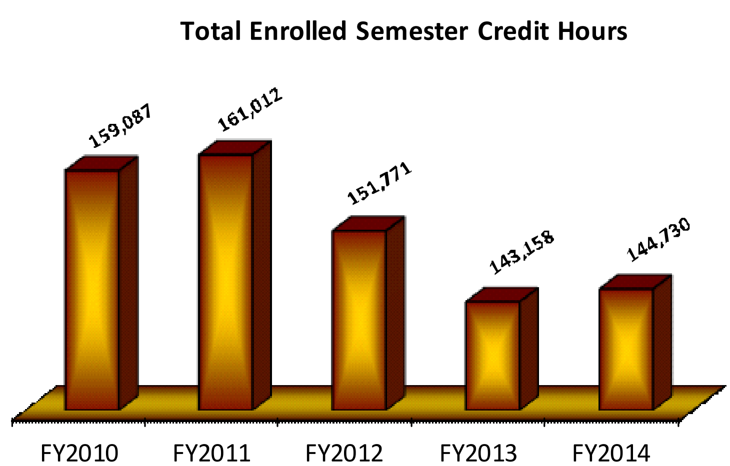
Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the university administration.

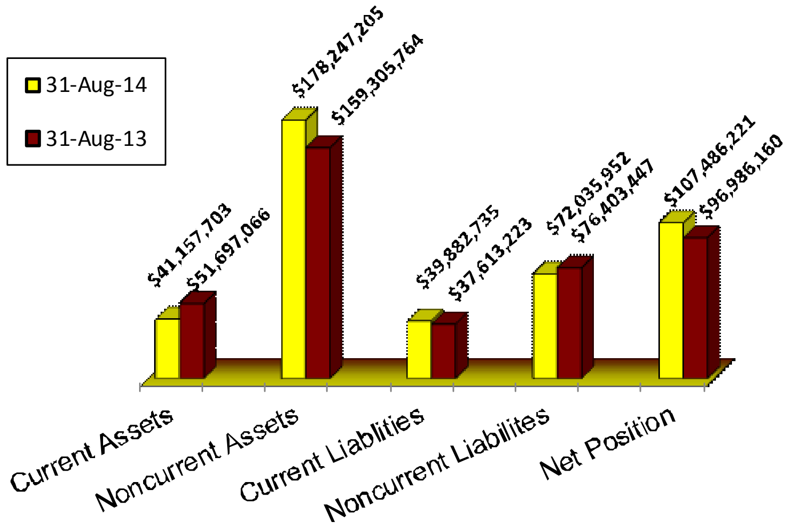
The following discussion should be read in conjunction with the accompanying transmittal letter, financial statements, and note disclosures.

The following graph illustrates the comparison and movement of total student enrollment and full time equivalent (FTE) student growth since 2010. Increased academic standards, a decline in local college age population, and a statewide consistent pattern of very flat student enrollment explain this variance.

Beginning in 2006, and again in 2011, the university changed its academic standards to ensure students were prepared to pursue higher education. The increase in standards has created growth in student retention as more of our freshmen are better prepared for college which also improves graduation rates. Graduation rates may become financially important to the university as future state appropriations are contingent on such successful outcomes. In addition, the university is one of the few institutions in Texas capable of offering in-state tuition rates plus a $65.00/ semester credit hour assessment to all US citizens, which is a great positive impact on future enrollment.







The Statement of Net Position

By reporting information on the university as a whole, these comparative statements highlight for the reader whether or not the year's activities strengthened or weakened the university's financial position. When revenues and other support exceed expenses, the result is an increase in net 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 and liabilities, is one way to measure the university's financial position. Increases in net position show an improvement in financial health while decreases often indicate declining financial stability. However, many other non-financial factors, such as the trend in admission applicants, enrollment, student retention, and condition of the buildings must be considered to accurately assess the overall health of the university.

	2014	2013 Restated
Current Assets	$ 41,157,702.66	$ 51,697,065.64
Noncurrent Assets:		
Capital Assets	128,809,959.12	128,421,381.90
Other	49,437,246.25	30,884,381.95
Total Assets	$219,404,908.03	$211,002,829.49
Current Liabilities	$ 39,882,734.79	$ 37,613,222.60
Noncurrent Liabilities	72,035,952.40	76,403,446.85
Total Liabilities	111,918,687.19	114,016,669.45
Net Position:		
Invested in Capital Assets	54,838,878.39	48,917,220.70
Restricted for:		
Debt Retirement		
Nonexpendable	4,375,727.45	4,071,779.08
Expendable:		
Capital Projects	1,842,365.98	4,558,695.81
Restricted by Contributor	12,880,943.23	10,605,445.99
Unrestricted	33,548,305.79	28,833,018.46
Total Net Position	107,486,220.84	96,986,160.04
Total Liabilities and Net Position	$219,404,908.03	$211,002,829.49

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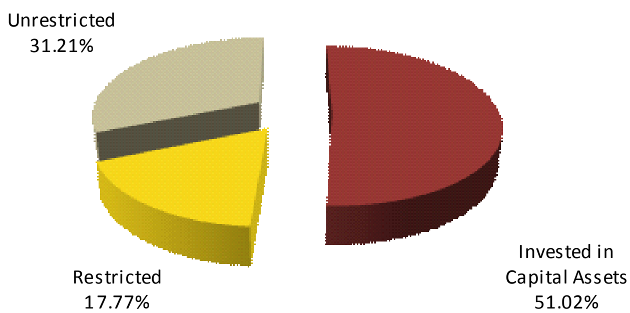
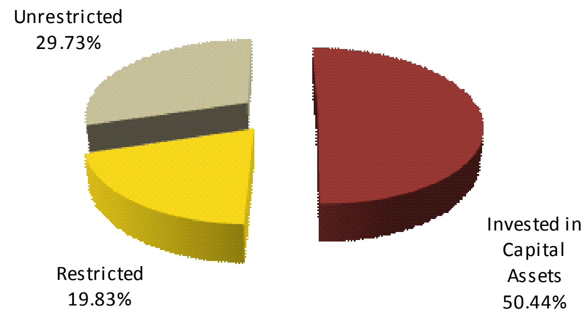
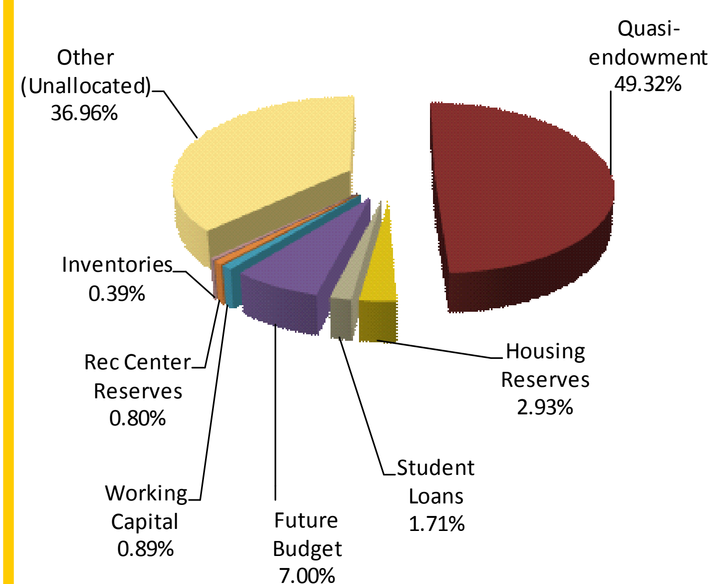
Year Ended 8-31-2014 (UNAUDITED)

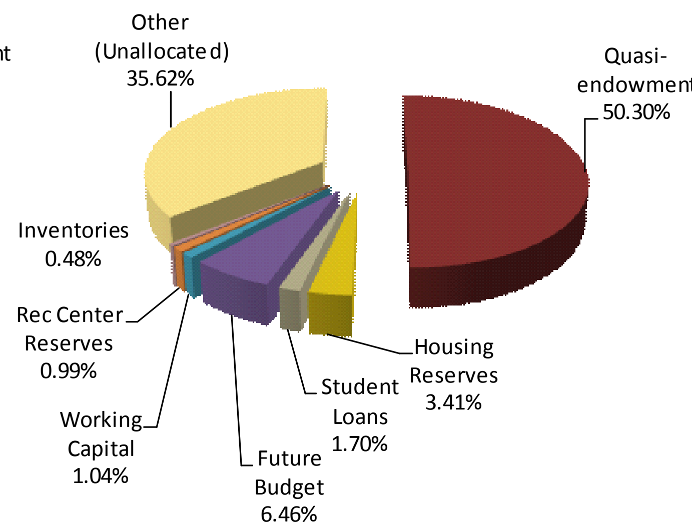
The following charts indicate the changes in net position for the year ended August 31, 2014 as compared to the previous year.





The university reports unrestricted net position of 31.21% of total net position for the year ended August 31, 2014 and 29.73% for the prior year. Although unrestricted, most of these funds have been designated for specific purposes. The following charts show how funds have been allocated:





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

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, 2014 and 2013. The comprehensive statements indicate the financial condition of the university, and comparatively analyze in what direction the university is moving. The following statements reveal the operating results of the university, as well as the non-operating revenues and expenditures. Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, housing, and food services. Certain federal, state, and private grants are considered operating revenues if they are not for capital purposes and are considered a contract for services. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

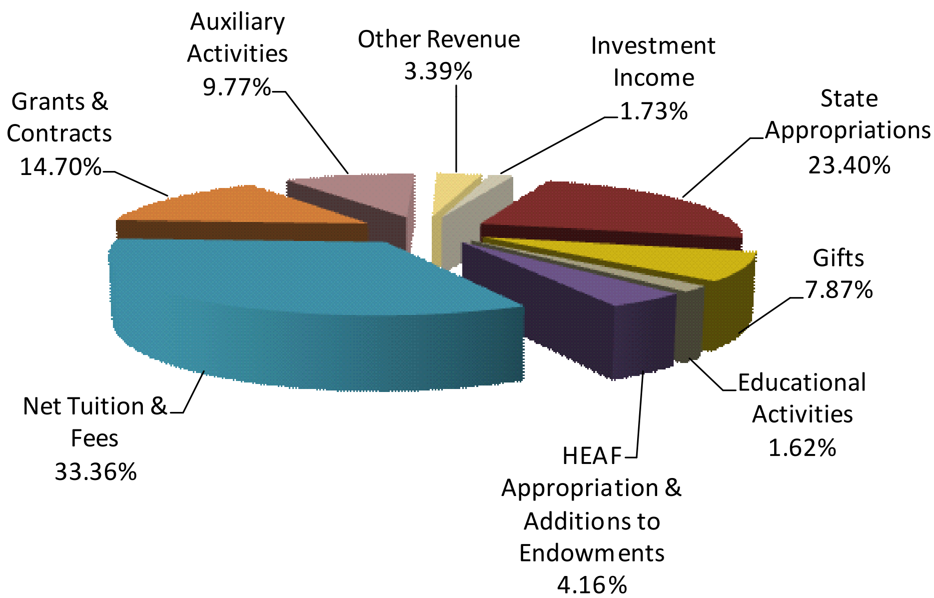
The statement below compares the operating results of the university for the years ended August 31, 2014 and 2013.

	2014	2013 Restated
Operating Revenue:		
Net tuition and fees	$ 31,281,819.39	$ 31,369,150.56
Grants and contracts	5,189,141.94	4,696,721.58
Sales and Service of Educational Activities	1,517,370.52	1,218,120.57
Sales and Services of Auxiliary Enterprises	9,165,772.35	8,511,928.88
Other	1,413,256.24	1,544,533.19
Total Operating Revenue	48,567,360.44	47,340,454.78
Total Operating Expenses	(91,816,157.83)	(84,907,974.91)
Operating Loss	(43,248,797.39)	(37,567,520.13)
Nonoperating Revenues (Expenses):		
State Appropriations	17,039,451.35	16,619,208.00
Other State Appropriations	4,901,343.38	4,535,980.58
Federal Grants	8,316,438.01	8,014,771.20
Federal Pass-Through Grants	2,000.00	
State Pass-Through Grants from Other Agencies	270,071.00	
Gifts	7,380,693.44	8,829,212.02
Insurance Recovery in Subsequent Year	1,795,531.14	
Other Nonoperating Revenues (Expenses)	(15,357.50)	5,543.41
Investment Income	1,618,380.81	684,673.14
Net Increase (Decrease) in Fair Value of Investments	3,434,194.59	567,653.01
Net Book Value of Capital Asset Disposals	(134,005.13)	(385,589.60)
Interest Expense on Capital Asset Financing	(3,247,235.29)	(3,701,517.09)
Total Nonoperating Revenue (Expense)	41,361,505.80	35,169,934.67
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,887,291.59)	(2,397,585.46)
Capital Contributions, Additions to Endowments, & Special Items		
Capital Contributions	9,268,395.65	755,000.00
HEAF Appropriation	3,559,433.00	3,559,433.00
Additions to Endowments	337,110.60	165,595.50
Transfers In	0.99	1,747.95
Transfers Out	(777,587.85)	(945,166.41)
Increase (Decrease) in Net Position	10,500,060.80	1,139,024.58
Net Position, Beginning of Year	97,003,660.04	95,864,635.46
Restatements	(17,500.00)	
Net Position, Beginning of Year, Restated	96,986,160.04	
Net Position, End of Year	$ 107,486,220.84	$ 97,003,660.04

Year Ended 8-31-2014 (UNAUDITED)

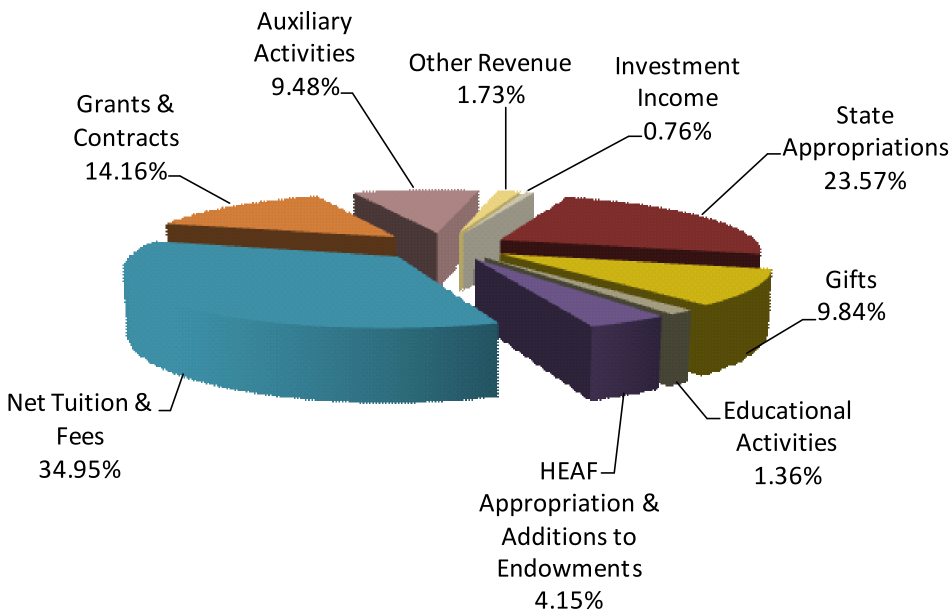
This chart identifies the components of total revenue for the year ended August 31, 2014.

Total Revenue - August 31, 2014

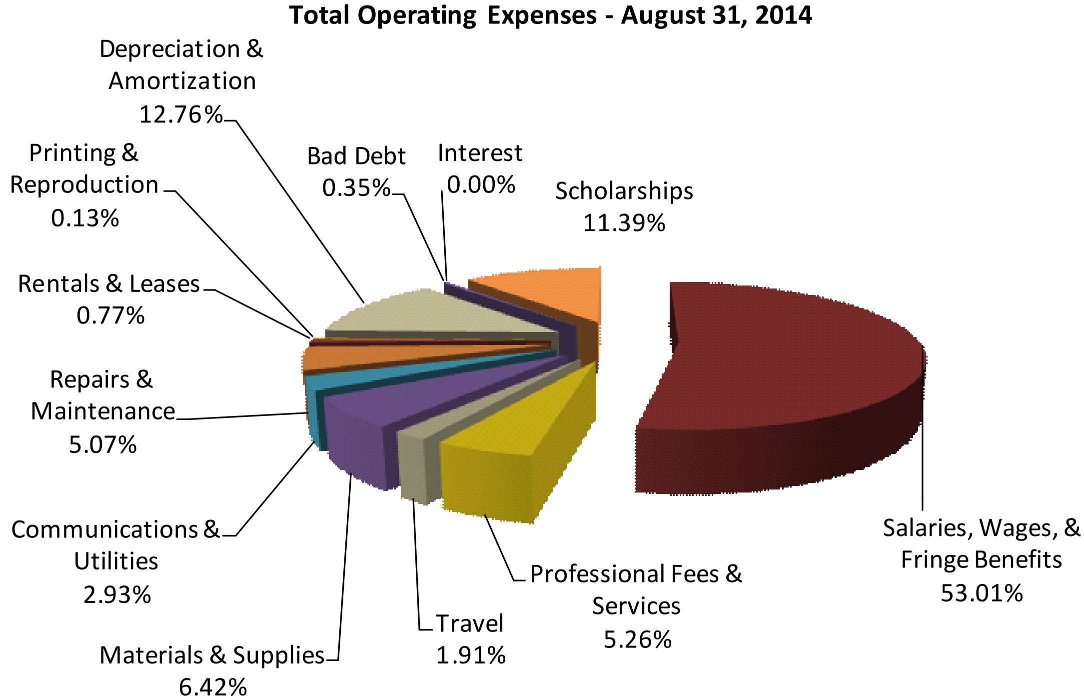


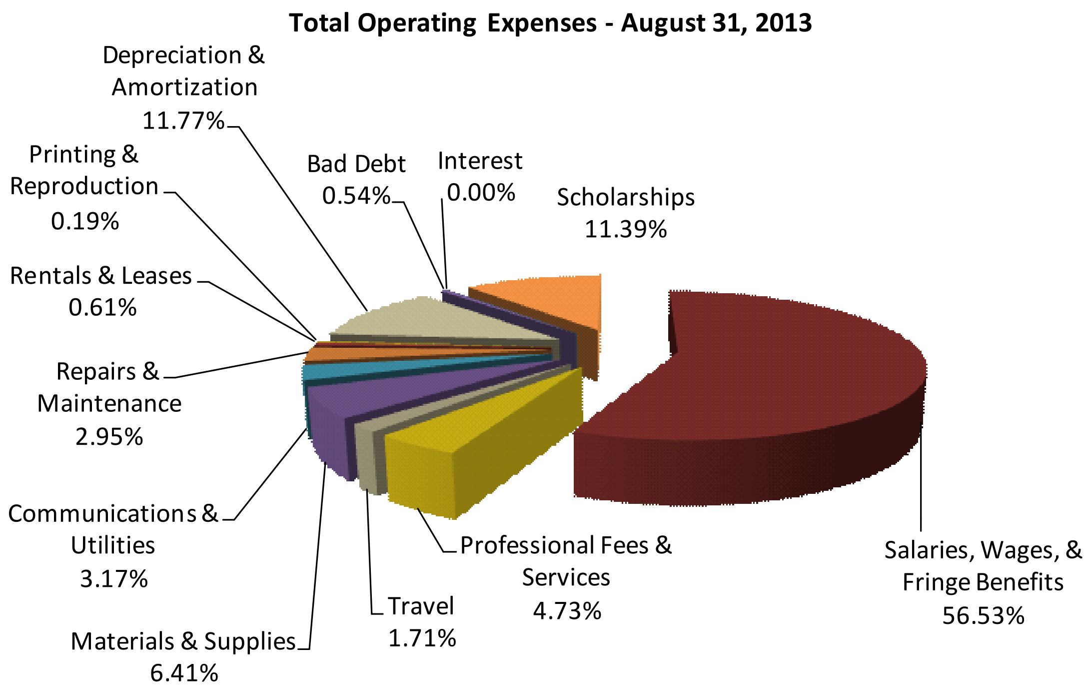
This chart reflects the same information for the year ended August 31, 2013.

Total Revenue - August 31, 2013



Total operating expenses for the year ended August 31, 2014 were $91,816,157.83 as compared to $84,907,974.91 for the previous year. The following charts compare the distribution of operating expenses between fiscal year 2014 and fiscal year 2013.





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.

Cash Flows

	2014	2013 Restated
Cash provided (used) by:		
Operating activities	$(30,362,385.42)	$ (26,869,460.32)
Noncapital financing activities	38,494,348.79	36,950,384.30
Capital and related financing activities	(7,854,099.85)	(9,231,970.99)
Investing activities	(1,056,488.65)	299,695.68
Net increase (decrease) in cash	(778,625.13)	1,148,648.67
Cash – Beginning of year	7,985,250.87	6,836,602.20
Cash – End of year	$ 7,206,625.74	$ 7,985,250.87

There was a net decrease in cash of $778,625.13.

Exhibit III, the Statement of Cash Flows, shows that the major sources of funds for operating activities are from student tuition and fees, grants and auxiliary enterprises. Tuition and fees accounted for $29.9 million, grants accounted for $5.87 million, and auxiliary enterprises, including housing and dining, accounted for $9.6 million.

State appropriations in the amount of $20.7 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 $7.9 million, additions to endowments in the amount of $337 thousand, and $8.6 million in Federal non-operating grants.

The main uses of capital and related financing activities came from the expansion of the McCoy School of Engineering, renovation to the Wichita Falls Museum of Art at Midwestern State University, and construction of the Dalquest Desert Research Station. Cash was used to purchase capital assets in the amount of $3.1 million and for the payment of principal and interest on capital debt in the amount of $8.9 million.

Capital Assets and Debt Administration

Capital Assets

As of August 31, 2014, the university had $128.8 million invested in capital assets. This figure is net of accumulated depreciation and amortization of $128 million. Depreciation and amortization charges totaled $11.7 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

	2014	2013
Land and Land Improvements	$ 5,919,952.66	$ 5,434,952.66
Construction in Progress	479,967.98	842,447.77
Buildings and Building Improvements	189,483,965.51	187,171,528.01
Infrastructure	12,823,874.86	12,823,874.86
Facilities Improvements	7,341,589.58	7,227,418.61
Furniture and Equipment	12,770,561.16	12,317,951.24
Vehicles	1,966,127.79	1,718,379.79
Computer Software	10,730,009.48	2,165,668.83
Other Capital Assets	15,376,381.22	15,394,522.21
Total	$256,892,430.24	$245,096,743.98

Additions to assets of $12.1 million during fiscal year 2013-2014 included: completion of the renovations to the McCoy School of Engineering and the Wichita Falls Museum of Art at MSU, the significant donation of computer software for the new petroleum geology program, and a gift of land to the university.

The construction in progress at the end of the year includes exterior renovations of the Wichita Falls Museum of Art at MSU, the West Campus Annex Project, and additions to the Dalquest Research Station.

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

Debt

At year-end, the university had $106.2 million in outstanding debt. Outstanding debt for the year ended August 31, 2013 was $114.8 million. The table below summarizes the amount of outstanding debt by type of instrument for the year ended August 31, 2014 compared with August 31, 2013.

	2014	2013
Revenue Bonds	$ 73,124,784.49	$ 77,064,754.04
General Obligation Bonds (HEAF)		1,455,000.00
Accrued long term interest payable on bonds	33,174,046.66	36,357,151.57
Total	$106,298,831.15	$114,876,905.61

Debt repayments made during the year included principal in the amount of $5,510,000.00 and interest in the amount of $3,183,104.91.

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, and 2E.

Factors Affecting the Future of Midwestern State University

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

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

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

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

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

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

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

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

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

PREPARATION OF STUDENTS
A sizable proportion of students seeking admission to MSU will continue to be under-prepared for college-level work. Texas ranks in the middle of states on measures of math and reading proficiency for fourth- and eighth-graders and mean SAT scores for Texas indicate that Texas students are under-performing compared to students throughout the United States.

Students admitted to MSU will continue to be from groups for which retention is challenging, including first-generation college students, students from low-wage families, and students with outside employment.

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

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

FINANCIAL

MSU continues to receive less than 25% of its funding from the State of Texas, while costs increase. Capital investment to keep pace with technology is needed and, as federal financial aid dollars are diminished, the demand for university financial aid support increases.

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

ENROLLMENT

Fall 2014 enrollment is essentially the same as Fall 2013, with a student headcount of 5,874. Please consider the following:

The beginning freshman class is within four students of the record 2013 beginning freshman class.

The geographic distribution of the beginning freshman class is similar to that of 2014, with some 34% from the Dallas/Fort Worth metropolitan area.

The two large beginning freshman classes of 2013 and 2014 who will live on campus have resulted in university housing being oversubscribed by 200 students.

The Fall 2014 class' academic records are similar to Fall 2013.

Fall-to-Fall retention for the Fall 2013 beginning freshman class increased some five percentage points as compared to the Fall 2012 cohort.

MSU experienced a decline of some 67 transfer students in the Fall 2014, as compared to Fall 2013. The decline in transfer students is the chief reason university enrollment did not increase.

We are pleased that the large beginning freshman class of 2013 replicated for the Fall 2014, and we are confident in this trend. Additional resources are being allocated to address transfer students and distance education courses. Moving forward, we expect to see a growth in enrollment given three broad conditions:

1. The trend of large beginning freshman classes continues.

2. The smaller beginning freshman classes through the Fall 2012 will continue to move through the classification levels.

3. Additional resources and effort dedicated to transfer and distance education enrollment.

Unaudited

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

ASSETS

Current Assets:		**2014**		**2013**	
Cash and Cash Equivalents:				**Restated**	
Cash on Hand		$ 16,300.00		$ 16,300.00	
Cash in Bank		8,310,466.68		3,596,414.58	
Cash in State Treasury		4,394,330.56		4,508,478.78	
Short-term Investments		9,990,287.80		23,061,587.32	
State Appropriations		2,233,497.01		970,442.50	
Restricted:					
Cash and Cash Equivalents:					
Cash in Bank		(5,514,471.50)		(135,942.49)	
Notes and Loans Receivable		10,097.79		4,441.39	
Net Receivables:					
Student Receivables		8,190,492.17		6,186,514.12	
Federal Receivables		241,709.18		133,953.56	*
Other Intergovernmental Receivables		0.99		0.99	
Interest and Dividends		41,022.14		39,288.89	
Other Receivables		1,473,851.24		1,534,296.98	
Pledges Receivable		2,146,500.55		2,895,644.33	
Consumable Inventories		237,954.62		266,415.82	
Prepaid Expenses		9,385,663.43		8,619,228.87	*
Total Current Assets		41,157,702.66		51,697,065.64	
Noncurrent Assets:					
Restricted:					
Short-term Investments		(35,068.37)			
Investments		7,042,125.19		5,018,972.21	
Loans and Contracts		48,219.30		63,973.49	
Other Long-term Investments		40,495,803.59		23,317,809.04	
Pledges Receivable		840,892.67		1,383,332.00	
Deferred Financing Costs		1,045,273.87		1,100,295.21	
Capital Assets, Non-depreciable:					
Land and Land Improvements	$ 5,919,952.66		$ 5,434,952.66		
Construction in Progress	479,967.98		842,447.77		
Other Capital Assets	3,533,965.30	9,933,885.94	3,549,965.30	9,827,365.73	
Capital Assets, Depreciable:					
Buildings & Building Improvements	189,483,965.51		187,171,528.01		
Less Accumulated Depreciation	(93,397,355.95)	96,086,609.56	(85,602,208.51)	101,569,319.50	
Infrastructure	12,823,874.86		12,823,874.86		
Less Accumulated Depreciation	(5,885,639.56)	6,938,235.30	(5,440,981.36)	7,382,893.50	
Facilities and Other Improvements	7,341,589.58		7,227,418.61		
Less Accumulated Depreciation	(4,313,001.82)	3,028,587.76	(3,972,930.76)	3,254,487.85	
Furniture and Equipment	12,770,561.16		12,317,951.24		
Less Accumulated Depreciation	(10,197,189.31)	2,573,371.85	(9,232,470.07)	3,085,481.17	
Vehicles	1,966,127.79		1,718,379.79		
Less Accumulated Depreciation	(1,007,847.06)	958,280.73	(903,263.74)	815,116.05	
Other Capital Assets	11,842,415.92		11,844,556.91		
Less Accumulated Depreciation	(10,161,577.84)	1,680,838.08	(10,040,140.97)	1,804,415.94	
Intangible Capital Assets, Amortizable:					
Computer Software	10,730,009.48		2,165,668.83		
Less Accumulated Amortization	(3,119,859.58)	7,610,149.90	(1,483,366.67)	682,302.16	
Total Noncurrent Assets		178,247,205.37		159,305,763.85	
Total Assets		$ 219,404,908.03		$ 211,002,829.49	

LIABILITIES

	2014	2013 Restated
Current Liabilities:		
Accounts Payable	$ 4,659,516.93	$ 2,400,112.60
Accrued Payroll Payable	4,242,984.03	5,076,237.33
Employees' Compensable Leave	163,730.88	156,550.12
Room/Property Deposits	64,470.14	70,589.27
Unearned Revenues	26,003,261.97	23,937,153.67
Retainages and Contracts	7,447.14	27,554.00
Funds Held for Others	116,199.25	100,504.75
Capital Lease	74,460.92	20,576.95
Due to Other Agencies (SECO Loan)	261,551.13	256,384.84
Unamortized Discount on 2007 Rev Bonds	(12,344.13)	(12,344.13)
Unamortized Premium on 2008 Rev Bonds	86,456.53	69,903.20
Revenue Bonds Payable	4,215,000.00	4,055,000.00
Constitutional Appropriation Bonds		1,455,000.00
Total Current Liabilities	39,882,734.79	37,613,222.60
Noncurrent Liabilities:		
Employees' Compensable Leave	1,454,626.85	1,309,974.92
Room/Property Deposits	190,095.40	192,147.78
Capital Lease		74,460.92
Due to Other Agencies (SECO Loan)	1,523,802.46	1,785,353.59
Unamortized Discount on 2007 Rev Bonds	(209,533.69)	(221,877.82)
Unamortized Premium on 2008 Rev Bonds	167,176.89	253,633.42
Revenue Bonds Payable	68,909,784.49	73,009,754.04
Total Noncurrent Liabilities	72,035,952.40	76,403,446.85
Total Liabilities	111,918,687.19	114,016,669.45

NET POSITION

	2014	2013 Restated
Net Investment in Capital Assets	54,838,878.39	48,917,220.70
Restricted for:		
Debt Retirement		
Nonexpendable	4,375,727.45	4,071,779.08
Expendable:		
Capital Projects	1,842,365.98	4,558,695.81
Restricted by Contributor	12,880,943.23	10,605,445.99
Unrestricted	33,548,305.79	28,833,018.46
Total Net Position	107,486,220.84	96,986,160.04
Total Liabilities and Net Position	$ 219,404,908.03	$ 211,002,829.49

*Restated Federal Pell, SEOG, and TEACH grant revenues and expenditures to match award year, which resulted in restatements to related federal receivables and prepaid scholarships.

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

Midwestern State University

Unaudited

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

	2014	2013 Restated	
Operating Revenues:			
Student Tuition and Fees (net of scholarship allowances of $10,812,823.65 and $9,889,867.16, respectively)	$ 31,281,819.39	$ 31,369,150.56	
Federal Grants	533,422.28	701,779.95	*
Federal Pass-Through Grants	127,044.31	106,468.65	
State Pass-Through Grants from Other State Agencies	3,552,864.18	3,113,927.27	
Other Grants and Contracts	975,811.17	774,545.71	
Sales and Services of Educational Activities	1,517,370.52	1,218,120.57	
Sales and Services of Auxiliary Enterprises	9,165,772.35	8,511,928.88	
Other Operating Revenue	1,413,256.24	1,544,533.19	*
Total Operating Revenues	48,567,360.44	47,340,454.78	
Operating Expenses:			
Salaries and Wages	37,387,992.74	37,531,979.16	
Payroll Related Costs	11,283,877.96	10,468,569.45	
Professional Fees and Services	4,831,819.16	4,014,944.70	
Travel	1,742,968.00	1,455,146.53	
Materials and Supplies	5,894,134.71	5,441,691.94	
Communications and Utilities	2,692,743.63	2,690,544.13	
Repairs and Maintenance	4,651,994.95	2,507,546.87	
Rentals and Leases	707,362.64	521,174.59	
Printing and Reproduction	121,852.08	161,578.65	
Depreciation and Amortization	11,717,162.53	9,995,431.04	
Bad Debt Expense	324,984.94	454,862.25	
Interest	1,331.88	1,756.05	
Scholarships	10,457,932.61	9,662,749.55	*
Total Operating Expenses	91,816,157.83	84,907,974.91	
Operating Loss	(43,248,797.39)	(37,567,520.13)	
Nonoperating Revenues (Expenses):			
State Appropriations	17,039,451.35	16,619,208.00	
Additional State Appropriations	4,901,343.38	4,535,980.58	
Federal Grants	8,316,438.01	8,014,771.20	*
Federal Pass-Through Grants	2,000.00		
State Pass-Through Grants from Other State Agencies	270,071.00		
Gifts	7,380,693.44	8,829,212.02	
Insurance Recovery in Subsequent Year	1,795,531.14		
Other Nonoperating revenues (expenses)	(15,357.50)	5,543.41	
Investment Income	1,618,380.81	684,673.14	
Net Increase (Decrease) in Fair Value of Investments	3,434,194.59	567,653.01	
Net Book Value of Capital Asset Disposals	(134,005.13)	(385,589.60)	
Interest Expense on Capital Asset Financing	(3,247,235.29)	(3,701,517.09)	
Total Nonoperating Revenues (Expenses)	41,361,505.80	35,169,934.67	
Income (Loss) Before Capital Contributions, Additions to Endowments, and Special Items	(1,887,291.59)	(2,397,585.46)	

	2014	2013 Restated
Capital Contributions	$ 9,268,395.65	$ 755,000.00
HEAF Appropriation	3,559,433.00	3,559,433.00
Additions to Endowments	337,110.60	165,595.50
Transfers In	0.99	1,747.95
Transfers Out	(777,587.85)	(945,166.41)
Increase (Decrease) in Net Position	10,500,060.80	1,139,024.58
Net Position, Beginning of Year	97,003,660.04	95,864,635.46
Restatements	(17,500.00)	
Net Position, Beginning of Year, Restated	96,986,160.04	
Net Position, End of Year	$ 107,486,220.84	$ 97,003,660.04

*Restated Federal Pell, SEOG, and TEACH grant revenues and expenditures to match award year. Also restated Pell administrative overhead from federal non-operating grants to other operating income.

ANNUAL FINANCIAL REPORT

Unaudited

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2014

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$37,387,992.74	$20,166,741.61	$ 228,652.51	$ 342,417.95	$2,771,908.72
Payroll Related Costs	11,283,877.96	5,947,866.86	31,101.78	82,880.69	830,341.46
Professional Fees and Services	4,831,819.16	627,247.01	13,247.32	146,929.74	1,056,339.70
Travel	1,742,968.00	623,492.94	70,913.08	23,706.88	211,252.28
Materials and Supplies	5,894,134.71	684,093.69	119,634.12	183,435.97	451,414.66
Communications and Utilities	2,692,743.63	57,532.72	1,644.04	2,680.67	19,780.87
Repairs and Maintenance	4,651,994.95	169,342.25	7,269.89	40,838.49	445,839.52
Rentals and Leases	707,362.64	194,259.41	531.75	7,786.08	39,264.05
Printing and Reproduction	121,852.08	46,075.36	6,948.03	9,493.46	31,985.02
Depreciation and Amortization	11,717,162.53				
Bad Debt Expense	324,984.94				
Interest	1,331.88	0.77	23.55	7.36	108.48
Scholarships	10,457,932.61				
Total Operating Expenses	$91,816,157.83	$28,516,652.62	$479,966.07	$ 840,177.29	$5,858,234.76

Midwestern State University
Matrix of Operating Expenses Reported by Function
For the Year Ended August 31, 2013

	Total Operating Expenses	Instruction	Research	Public Service	Academic Support
Salaries and Wages	$37,531,979.16	$19,785,103.62	$ 351,300.66	$ 309,841.77	$2,843,606.03
Payroll Related Costs	10,468,569.45	5,422,152.23	21,194.22	62,265.22	761,603.72
Professional Fees and Services	4,014,944.70	665,219.17	20,155.97	58,656.42	1,037,007.23
Travel	1,455,146.53	437,240.55	83,991.12	17,166.16	144,019.07
Materials and Supplies	5,441,691.94	709,196.50	61,873.41	142,074.21	670,255.43
Communications and Utilities	2,690,544.13	64,178.54	601.45	2,395.30	17,481.13
Repairs and Maintenance	2,507,546.87	129,021.75	276.90	31,745.53	210,652.55
Rentals and Leases	521,174.59	126,686.78	9,185.34	81,274.17	38,617.13
Printing and Reproduction	161,578.65	47,436.15	2,145.41	11,644.78	62,226.44
Depreciation and Amortization	9,995,431.04				
Bad Debt Expense	454,862.25				
Interest	1,756.05	24.33	15.52		559.71
Scholarships	9,662,749.55				
Total Operating Expenses	$84,907,974.91	$27,386,259.62	$550,740.00	$ 717,063.56	$5,786,028.44

Year Ended 8-31-2014 (UNAUDITED)

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 5,349,215.24	$ 4,811,183.51	$ 2,288,713.45		$1,429,159.75	
1,602,525.84	1,379,752.49	1,030,015.06		379,393.78	
2,029,849.66	(55,441.87)	410,251.16		603,396.44	
653,332.13	128,767.13	5,026.53		26,477.03	
954,138.66	732,267.60	646,128.03		2,123,021.98	
186,991.77	(16,816.20)	1,622,949.68		817,980.08	
205,694.73	713,975.83	2,623,065.51		445,968.73	
220,248.68	42,841.21	9,481.80		192,949.66	
109,041.75	(109,480.91)	1,416.61		26,372.76	
					$11,717,162.53
324,984.94					
593.51	210.63	58.28		329.30	
			$10,457,932.61		
$ 11,636,616.91	$ 7,627,259.42	$ 8,637,106.11	$10,457,932.61	$ 6,045,049.51	$11,717,162.53

Student Services	Institutional Support	Operation & Maintenance	Scholarships	Auxiliary Enterprises	Depreciation
$ 5,404,269.19	$ 4,874,740.09	$ 2,482,754.57		$1,480,363.23	
1,448,571.75	1,392,658.34	992,302.07		367,821.90	
1,387,969.09	(82,345.66)	335,636.18		592,646.30	
653,136.76	97,446.36	4,419.38		17,727.13	
1,116,841.98	543,381.69	476,305.94		1,721,762.78	
170,312.80	(38,942.97)	1,625,511.12		849,006.76	
255,506.36	589,759.25	1,024,117.94		266,466.59	
206,345.76	58,193.63	8,554.17		(7,682.39)	
107,577.91	(81,151.72)	1,647.31		10,052.37	
					$ 9,995,431.04
454,862.25					
393.98	194.28	427.03		141.20	
			$ 9,662,749.55		
$ 11,205,787.83	$ 7,353,933.29	$ 6,951,675.71	$ 9,662,749.55	$ 5,298,305.87	$ 9,995,431.04

ANNUAL FINANCIAL REPORT

Year Ended 8-31-2014 (UNAUDITED)

Unaudited

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

	2014	2013 Restated	
Cash Flows from Operating Activities:			
Proceeds Received from Students	$ 29,878,822.90	$30,458,616.63	
Proceeds Received for Sponsored Programs	5,869,550.43	4,718,775.93	*
Proceeds Received from Auxiliary Enterprises	9,608,124.78	9,059,166.39	
Proceeds From Loan Programs	21,581.05	11,673.24	
Proceeds From Other Revenues	2,930,626.76	2,762,653.76	*
Payments to Employees	(49,353,291.31)	(46,958,171.04)	
Payments to Suppliers for Good and Services	(18,069,694.97)	(16,545,277.74)	
Payments for Scholarships	(11,246,773.18)	(10,375,141.44)	*
Payments for Interest	(1,331.88)	(1,756.05)	
Net Cash Provided (Used) by Operating Activities	(30,362,385.42)	(26,869,460.32)	
Cash Flows from Noncapital Financing Activities:			
Proceeds from State Appropriations	20,677,740.22	21,415,605.54	
Proceeds from Endowment Gifts	337,110.60	165,595.50	
Proceeds from Gifts	7,888,402.18	8,294,035.06	
Proceeds (Payments) from Other Noncapital Financing Activities	1,780,173.64	5,543.41	
Proceeds from Nonoperating Grants	8,588,509.01	8,014,771.20	*
Transfers in from Other Funds	0.99		
Transfers out to Other Funds	(777,587.85)	(945,166.41)	
Net Cash Provided by Noncapital Financing Activities	38,494,348.79	36,950,384.30	
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Capital Gifts	736,294.33	(262,816.00)	
Proceeds from HEAF Appropriations	3,559,433.00	3,559,433.00	
Proceeds From Interest on Capital Investments	1,067.90	935.32	
Payments for Additions to Capital Assets	(3,165,204.23)	(3,745,696.45)	
Principal Paid on Capital Related Debt	(5,729,490.41)	(5,019,930.97)	
Interest Paid on Capital Related Debt	(3,256,200.44)	(3,763,895.89)	
Net Cash Provided by Capital and Related Financing Activities	(7,854,099.85)	(9,231,970.99)	
Cash Flows from Investing Activities:			
Proceeds from Interest and Investment Income	3,049,572.56	229,912.45	
Proceeds from Sales and Maturities of Investments	39,835,240.97	8,806,693.55	
Payments to Acquire Investments	(43,941,302.18)	(8,736,910.32)	
Net Cash Provided (Used) by Investing Activities	(1,056,488.65)	299,695.68	
Increase (Decrease) in Cash and Cash Equivalents	(778,625.13)	1,148,648.67	
Cash and Cash Equivalents, September 1, 2013	7,985,250.87	6,836,602.20	
Cash and Cash Equivalents, August 31, 2014	$ 7,206,625.74	$ 7,985,250.87	

	2014	2013 Restated
Reconciliation to Cash and Cash Equivalents as Displayed on the Statement of Net Position:		
Current Assets:		
Cash On Hand	$ 16,300.00	$ 16,300.00
Cash In Bank	8,310,466.68	3,596,414.58
Cash in State Treasury	4,394,330.56	4,508,478.78
Restricted:		
Cash In Bank	(5,514,471.50)	(135,942.49)
	$ 7,206,625.74	$ 7,985,250.87
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$(43,248,797.39)	$(37,567,520.13)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	11,717,162.53	9,995,431.04
Bad Debt Expense	324,984.94	454,862.25
Donations of Non-Capital Assets	241,435.04	
(Increase) Decrease in Receivables	(2,319,106.42)	(1,278,207.71)
(Increase) Decrease in Inventories	28,461.20	(9,408.41)
(Increase) Decrease in Prepaid Expenses	(796,363.56)	(734,649.51)
(Increase) Decrease in Loans	(5,656.40)	12,602.90
Increase (Decrease) in Payables	1,461,859.15	1,354,061.40
Increase (Decrease) in Unearned Revenues	2,066,108.30	936,035.98
Increase (Decrease) in Other Liabilities	167,527.19	(32,668.13)
Total Adjustments	12,886,411.97	10,698,059.81
Net Cash Used by Operating Activities	$(30,362,385.42)	$(26,869,460.32)
Non Cash Transactions		
Net Increase (Decrease) in FMV of Investments	$ 2,003,533.71	$ 567,653.01
(Loss) Gain on Asset Disposals	(134,005.13)	(385,589.60)
Nonmonetary Gifts, Including Capital Assets	9,315,975.69	745,000.00
Transfer In on Master Lease Purchase		1,747.95

*Restated Federal Pell, SEOG, and TEACH grant revenues and expenditures to match award year. Also restated Pell administrative overhead from federal non-operating revenues to other operating revenues, which resulted in changes to cash flows previously reported for sponsored programs and related payments for scholarships.

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 College 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.

The university 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 university's 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.

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

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

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 34 indicates that a consideration for defining a proprietary fund's operating revenues and expenditures is how individual transactions would be classified for purposes of preparing a statement of cash flows according to GASB Statement No. 9.

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

Net 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 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 are funds 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

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

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.

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

Note 1: Continued

Inventories

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

Capital Assets

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

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

Other Significant Accounting Policies

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

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NOTE 2: Capital Assets

A summary of changes in Capital Assets for the year ended August 31, 2014, is presented below.

BUSINESS-TYPE ACTIVITIES	Balance 09/01/13	Adjustment	Reclassifications Completed CIP
Non-depreciable or Non-Amortizable Assets:			
Land and Land Improvements	$ 5,434,952.66		
Construction in Progress	859,947.77	$(17,500.00)	$ (2,319,078.47)
Other Tangible Capital Assets	3,549,965.30		
Total Non-depreciable Assets or Non-Amortizable Assets:	9,844,865.73	(17,500.00)	(2,319,078.47)
Depreciable Assets:			
Buildings and Building Improvements	187,171,528.01		2,204,907.50
Infrastructure	12,823,874.86		
Facilities and Other Improvements	7,227,418.61		114,170.97
Furniture and Equipment	12,317,951.24		
Vehicles	1,718,379.79		
Other Capital Assets	11,844,556.91		
Total Depreciable Assets:	233,103,709.42	0.00	2,319,078.47
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(85,602,208.51)		
Infrastructure	(5,440,981.36)		
Facilities and Other Improvements	(3,972,930.76)		
Furniture and Equipment	(9,232,470.07)		
Vehicles	(903,263.74)		
Other Capital Assets	(10,040,140.97)		
Total Accumulated Depreciation	(115,191,995.41)		
Depreciable Assets, Net	117,911,714.01	0.00	2,319,078.47
Amortizable Assets - Intangible			
Computer Software	2,165,668.83		
Total Amortizable Assets - Intangible	2,165,668.83	0.00	0.00
Less Accumulated Amortization for:			
Computer Software	(1,483,366.67)		
Total Accumulated Amortization	(1,483,366.67)	0.00	0.00
Amortizable Assets - Intangible, Net	682,302.16	0.00	0.00
Business-Type Activities Capital Assets, Net	$128,438,881.90	$(17,500.00)	$ 0.00

Year Ended 8-31-2014 (UNAUDITED)

Additions	Deletions	Balance 08/31/14
$ 485,000.00		$ 5,919,952.66
1,956,598.68		479,967.98
	$ (16,000.00)	3,533,965.30
2,441,598.68	(16,000.00)	9,933,885.94
107,530.00		189,483,965.51
		12,823,874.86
		7,341,589.58
522,283.60	(69,673.68)	12,770,561.16
297,218.00	(49,470.00)	1,966,127.79
189,398.96	(191,539.95)	11,842,415.92
1,116,430.56	(310,683.63)	236,228,534.82
(7,795,147.44)		(93,397,355.95)
(444,658.20)		(5,885,639.56)
(340,071.06)		(4,313,001.82)
(1,033,762.78)	69,043.54	(10,197,189.31)
(154,053.32)	49,470.00	(1,007,847.06)
(312,976.82)	191,539.95	(10,161,577.84)
(10,080,669.62)	310,053.49	(124,962,611.54)
(8,964,239.06)	(630.14)	111,265,923.28
8,564,340.65		10,730,009.48
8,564,340.65	0.00	10,730,009.48
(1,636,492.91)		(3,119,859.58)
(1,636,492.91)	0.00	(3,119,859.58)
6,927,847.74	0.00	7,610,149.90
$ 405,207.36	$ (16,630.14)	$128,809,959.12

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 two investment managers to manage the assets of the university's endowments which total $20,614,134.10 and are invested under a separate investment policy that permits equities as well as fixed income and alternative assets. Additionally, the university entered into a contract with the Texas A&M University System in September 2013 to manage university investments. The fair value of the investments managed by the Texas A&M University System at August 31, 2014 was $20,885,258.26. Additional information about these investments is disclosed separately on pages 30-33.

Deposits of Cash in Bank

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

	2014	2013
Cash on Hand	$ 16,300.00	$ 16,300.00
Cash in Bank	2,795,995.18	3,460,472.09
Cash in State Treasury	4,394,330.56	4,508,478.78
Total Cash and Cash Equivalents	$ 7,206,625.74	$ 7,985,250.87
Current Assets—Cash and Cash Equivalents		
Cash on Hand	$ 16,300.00	$ 16,300.00
Cash in Bank	8,310,466.68	3,596,414.58
Cash in State Treasury	4,394,330.56	4,508,478.78
Current Assets– Restricted Cash and Cash Equivalents		
Cash in Bank	(5,514,471.50)	(135,942.49)
Total Cash and Cash Equivalents	$ 7,206,625.74	$ 7,985,250.87

Custodial Credit Risk for Deposits

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

The university's bank balance at August 31, 2014 was $4,180,898.04. $250,000 of this amount was covered by FDIC Insurance, and $3,899,446.60 was collateralized with securities pledged by the bank granting the university a first priority security interest in the collateral which was held by the Federal Reserve Bank of New York acting as Custodian for the university and the bank (as defined above).

Investments

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

	2014	2013
U.S. Government Agency Obligations	$5,994,155.58	$ 7,622,325.50
Corporate Bonds	2,093,482.10	2,103,117.25
Municipal Bonds		278,532.00
Equities	14,426,387.89	15,426,042.36
Other Fixed Income Mutual Funds	3,518,790.73	
Other Commingled Funds—Texas A&M System Investment Pool*	20,885,258.26	
Other Commingled Funds - Texpool	3,001,080.35	8,093,228.96
Other Commingled Funds - LOGIC	6,001,425.05	3,489,600.50
Other Commingled Funds - Goldman Sachs	400,271.49	115,680.23
Other Commingled Funds - Citibank		2,086,041.21
Certificates of Deposit - First National Bank		6,293,978.30
Certificates of Deposit - First United Bank		2,014,039.80
Other Certificates of Deposit	490,000.00	490,000.00
Money Market - JP Morgan Chase	10,662.41	1,006,475.14
Money Market—First United Bank		2,001,939.26
Other Money Market funds	51,049.11	52,859.26
Alternative Investments (including hedge funds)	620,585.24	324,508.80
Total Investments	$57,493,148.21	$51,398,368.57
Current Assets—Short-Term Investments	$ 9,990,287.80	$23,061,587.32
Non-Current Assets—Restricted Short Term Investments	(35,068.37)	660,516.81
Non-Current Assets—Restricted Investments	7,042,125.19	4,358,455.40
Non-Current Assets—Other Long Term Investments	40,495,803.59	23,317,809.04
Total Investments	$57,493,148.21	$51,398,368.57

**See additional disclosures on pages 30-33 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, 2014, 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)	$5,994,155.58			
Corporate Bonds			$ 1,278,994.20	$ 814,487.90
Comingled Funds—Texpool & LOGIC	9,002,505.40			
Investment Type	**BB**	**B**	**Collateralized**	**Not Rated**
Other Comingled Funds—Goldman Sachs				$ 400,271.49
Certificates of Deposit—Other			$490,000.00	
Money Market—JP Morgan			10,662.41	
Other Fixed Income Mutual Funds				3,518,790.73
Other Money Market				51,049.11
Equities				14,426,387.89
Alternative Investments (including hedge funds)				620,585.24

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Note 3: Continued

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2014, the university's concentration of credit risk is immaterial to any single issuer.

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

The university's investments exposed to interest rate risk as of August 31, 2014, were as follows:

Investment Type	Fair Value	Modified Duration
U.S. Government Agency Obligations	$ 5,994,155.58	3.98
Corporate Bonds	$ 2,093,482.10	3.41

The Texas A&M University System—Investments for Midwestern State University

Investment Fair Value	
U.S. Treasury Securities	$ 1,024,834.46
U.S. Treasury Strips	37,103.34
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, etc.)	975,037.17
Corporate Obligations	2,230,354.99
Corporate Asset and Mortgage Backed Securities	867,738.53
US Equity	4,080,676.93
International Obligations (Govt and Corp)	1,197,567.51
International Equity	2,001,205.28
International Other Commingled Funds (Equity)	2,505,140.76
Fixed Income Money Market and Bond Mutual Funds	307,104.15
Derivatives	731.02
Alternative Investments—Hedge Funds	4,608,379.84
Miscellaneous	
Political Subdivisions and other investments	5,262.39
Bank Loans	1,044,121.89
Total Investments	$20,885,258.26
Net Accruals (interest, payables, pending purchases, pending sales, etc.)	6,545.10
Net Investments	$20,891,803.36

Investments Exposed to Credit Risk

Investment Type	AAA	AA	A	BBB
U.S. Government Agency Obligations		$975,037.17		
Corporate Obligations		41,620.22	$ 372,417.20	$1,310,588.96
Corporate Asset & Mortgage Backed Securities	$132,888.39	104,756.96	121,642.94	16,882.84
International Obligations	179,530.33	218,801.33	301,054.91	335,126.13
Miscellaneous (municipals and bank loans)		5,262.39		

Year Ended 8-31-2014 (UNAUDITED)

Investment Type	BB	B	CCC	Not Rated
Corporate Obligations	$366,984.69	$98,710.77	$5,007.59	$ 35,025.56
Corporate Asset & Mortgage Backed Securities	5,234.80	4,153.36	48,717.70	433,461.54
International Obligations	56,317.25	9,809.59		96,927.97
Miscellaneous (municipals and bank loans)				1,044,121.89
Fixed Income Money Market & Bond Mutual Fund				307,104.15

Investments Exposed to Foreign Currency Risk

Fund Type	GAAP Fund	Foreign Currency	International Obligation (Govt & Corp)	International Equity	International Other Commingled Funds (Equity)
05	9999	U.S. Dollar Denominated Foreign Securities	$ 992,634.87	$ 896,489.68	$ 2,505,140.76
05	9999	Australian Dollar	57,306.77		
05	9999	British Pound	4,033.39	147,959.98	
05	9999	Canadian Dollar		50,229.38	
05	9999	Euro Currency Unit	35,780.56	306,148.30	
05	9999	Hong Kong Dollar		28,887.58	
05	9999	Japanese Yen		355,077.63	
05	9999	New Zealand	89,196.58		
05	9999	Norwegian Krone	18,615.34		
05	9999	Singapore Dollar		19,336.93	
05	9999	South African Rand		15,012.34	
05	9999	South Korean Won		11,438.10	
05	9999	Swedish Krona		18,584.60	
05	9999	Swiss Franc		142,038.96	
05	9999	Thailand Baht		10,001.80	
		TOTAL	$ 1,197,567.51	$2,001,205.28	$2,505,140.76

Note 3: Continued

Investments Exposed to Interest Rate Risk

Investment Types	**Effective Duration**	**Market Value**
U.S. Treasury Securities	3.915	$1,024,834.46
U.S. Treasury Strip	28.800	37,103.34
U.S. Government Agency Obligations		
Agencies and Other U.S. Government Obligations	3.633	86,883.39
CMO Government Agencies	4.040	12,181.57
U.S. Government Mortgages	2.338	875,972.21
Corporate Obligations		
Corporate and Other Credit	5.377	2,230,354.99
Corporate Asset and Mortgage Backed Securities		
CMBS and CMO Corporate	3.559	570,707.49
Asset Backed Securities	2.049	297,031.04
International Obligations	3.852	1,197,567.51
Miscellaneous		
Political subdivision	1.815	5,262.39
Bank Loans	0.100	1,044,121.89
Total Fair Value		**$7,382,020.28**

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 contacts as of August 31, 2014.

Currency	**Sell**	**Buy**	**Unrealized Gain on Foreign Exchange Contract**	**Unrealized Loss on Foreign Exchange Contract**
Australian Dollar	$88,756.07	$33,737.74	$ 76.17	(501.35)
British Pound	4,169.83		45.73	
Euro	37,315.65		1,094.54	
Hong Kong Dollar	1,191.14			(0.02)
Japanese Yen	6,182.70	4,334.20	7.73	(15.32)
New Zealand Dollar	86,669.78		24.10	
South Korean Won		1,313.07		(0.56)
	$224,285.17	$39,385.01	$1,248.27	$(517.25)

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

Midwestern State University's share of the fair value of open foreign currency exchange contracts as of August 31, 2014 was $731.02, 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 counter party exposure related to MSU's share of these contracts as of August 31, 2014 is as follows:

Assets Notional	Liabilities Notional	Assets Fair Value	Liabilities Fair Value	Counterparty Rating
$ 7,373.84	$ 5,647.27	$ (7.55)	$ 0.61	A+
37,315.65			(1,094.54)	A+
179,595.68	33,737.74	76.17	431.53	AA-
$224,285.17	$39,285.17	$ 68.62	$ (662.40)	

Note 4: Short-Term Debt

Not Applicable

Note 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2014, the following changes occurred in liabilities:

Business-Type Activities	Balance 09-01-13	Restatement	Additions	Reductions	Balance 08-31-14	Amounts Due Within One Year
Revenue Bonds Payable	$77,064,754.04		$115,030.45 *	$4,055,000.00	$73,124,784.49	$4,215,000.00
Unamortized Premium on Revenue Bonds	323,536.62			69,903.20	253,633.42	86,456.53
Unamortized Discount on Revenue Bonds	(234,221.95)			(12,344.13)	(221,877.82)	(12,344.13)
Subtotal	77,154,068.71		115,030.45	4,112,559.07	73,156,540.09	4,289,112.40
General Obligation Bond Payable	1,455,000.00			1,455,000.00	0.00	
Compensable Leave	1,466,525.04		250,388.55	98,555.86	1,618,357.73	163,730.88
Capital Lease Obligations	95,037.87			20,576.95	74,460.92	
SECO Federal Revolving Loan	2,041,738.43			256,384.84	1,785,353.59	261,551.13
Total	$82,212,370.05	$0.00	$365,419.00	$5,943,076.72	$76,634,712.33	$4,714,394.41

*See Note 6

Year Ended 8-31-2014 (UNAUDITED)

Note 5: Continued

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 $1,618,357.73. The University made lump sum payments totaling $98,555.86 for accrued vacation to employees who separated from state service during the fiscal year ended August 31, 2014, and payments of $290,694.00 for August 31, 2013. The large increase in the lump sum payments in 2013 was due to the voluntary separation program that was offered to qualifying state employees.

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

Note 6: Bonded Indebtedness

Revenue Bonds Payable

Detailed supplemental bond information is disclosed in Schedule 2A-Miscellaneous Bond Information, Schedule 2B-Changes in Bonded Indebtedness, Schedule 2C-Debt Service Requirements, Schedule 2D-Analysis of Funds Available for Debt Service, Schedule 2E-Defeased Bonds Outstanding and Schedule 2F-Early Extinguishment and Refunding. General information related to Revenue Financing System bonds is summarized below and on the following pages:

Revenue Financing System Revenue Bonds, Series 2002

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for campus improvements in heating, ventilating, and air conditioning systems; chilled water distribution; street drainage and paving; and other projects including Americans with Disabilities Act (ADA) accessibility, elevator improvements, safety, and security lighting
- Issued June 15, 2002
- $8,965,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of revenue for debt service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- $4,600,000 of this 2002 series was refunded in October 2012 (see Series 2012A)
- Changes in Debt: Principal paid during Fiscal Year—$465,000.00; Outstanding at Year End—$0.00.

Revenue and Refunding Bonds, Series 2003

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To pay for improving, enlarging and/or equipping university residence halls, including fire safety improvements and other general modernization improvements, and advance refunding Building Revenue and Refunding Bonds, Series 1996
- Issued August 1, 2003
- $13,180,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues, consisting of unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- $4,945,000 of the 2003 Series was advance refunded in October 2012 (see Series 2012B)
- Changes in Debt: Principal paid during Fiscal Year—$790,000.00; Outstanding at Year End—$1,430,000.00.

Revenue and Refunding Bonds, Series 2007

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University.
- To pay for constructing, equipping and furnishing a student recreation and health facility; improving, renovating, enlarging and/or equipping Fowler Hall; improving, renovating, enlarging and/or equipping D.L. Ligon Coliseum; and refunding a portion of the outstanding Revenue Refunding and Improvement Bonds, Series 1998
- Issued August 1, 2007
- $28,855,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- The discount on the bonds is being amortized on a straight-line basis over the life of the debt.
- Source of Revenue for Debt Service – Pledged Revenues, consisting of revenues, incomes, receipts, rentals, rates, charges, fees, and tuition levied or collected from any public or private source, including interest or other income from those funds and unrestricted fund and reserve balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts.
- Changes in Debt: Principal paid during Fiscal Year—$1,350,000.00; Outstanding at Year End—$21,965,000.00.

Revenue Financing System Revenue Bonds, Series 2008

- Issued by the Texas public Finance Authority (TPFA) on behalf of the University. To pay for constructing, equipping, and furnishing an additional student housing facility; purchasing an existing student housing facility; improving, renovating, enlarging, and/or equipping D.L. Ligon Coliseum; constructing, equipping and furnishing an instrumental music facility
- Issued July 1, 2009
- $38,300,136; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of Unrestricted Current Funds Revenues but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group, Higher Education Assistance Funds, student service fees, and private gifts in the Auxiliary Fund Group
- The Bonds are issued in part as current interest bonds, $37,955,000, and in part as premium capital appreciation bonds, $345,136
- Changes in Debt: Principal paid during Fiscal Year—$1,095,000.00; Outstanding at Year End—$33,839,784.49.

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Note 6: Continued

Premium Capital Appreciation Bonds			Unamortized Premium on CAB			Combined Totals
Beginning Principal Amount		(714,754.03)	Beginning Premium		(323,536.63)	(1,038,290.66)
Amortization Entries	FY14	(115,030.45)	Amortization Entries	FY14	69,903.20	(45,127.25)
Balance at Year End		(829,784.48)	Balance at Year End		(253,633.43)	(1,083,417.91)
Future Entries:	FY15	(133,543.12)	Future Entries:	FY15	86,456.54	(47,086.58)
	FY16	(155,035.16)		FY16	105,902.49	(49,132.67)
	FY17	(86,637.24)		FY17	61,274.40	(25,362.84)
		(375,215.52)			253,633.43	(121,582.09)
Maturity Value		(1,205,000.00)			0.00	(1,205,000.00)

Revenue Financing System Revenue Bonds, Series 2010

- Issued by the Texas public Finance Authority (TPFA) on behalf of the University. To pay for improving, renovating, enlarging, and/or equipping the University's existing D.L. Ligon Coliseum
- Issued April 1, 2010
- $6,700,000; all bonds authorized have been issued
- Revenue Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Pledged Revenues consisting of Unrestricted Current Funds Revenues, but do not include: remissions, governmental appropriations and gifts, grants and contracts within the Educational and General Fund Group, Higher Education Assistance Funds, student service fees, and private gifts in the Auxiliary Fund Group
- Changes in Debt: Principal paid during Fiscal Year—$160,000.00; Outstanding at Year End—$6,235,000.00.

Revenue Financing System 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 unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- Changes in Debt: Principal paid during Fiscal Year—$125,000.00; Outstanding at Year End—$4,430,000.00.

Revenue Financing System Refunding Bonds, Series 2012B

- Issued by the Texas Public Finance Authority (TPFA) on behalf of the University. To finance the advance refunding of $4,945,000 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 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 unrestricted current funds revenues and unappropriated fund balances available, but not including remissions, governmental appropriations and gifts, grants and contracts, Higher Education Assistance Funds, student service fees, and private gifts
- Changes in Debt: Principal paid during Fiscal Year—$70,000.00; Outstanding at Year End—$5,225,000.00.

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

Constitutional Appropriation Bond, Series 2004

- Issued by the Board of Regents of Midwestern State University. The proceeds of the Bonds are to be used to construct a Business Administration classroom building for use by students of the University
- Issued August 1, 2004
- $11,185,000; all bonds authorized have been issued
- General Obligation Bond
- Business-Type Activities
- Source of Revenue for Debt Service – Payable and secured solely from a first lien on and pledge of up to one-half of the annual appropriation for and on behalf of the University, from the State Treasury pursuant to the Constitutional Provision and "The Excellence in Higher Education Act"
- Changes in Debt: Principal paid during Fiscal Year—$1,455,000.00; Outstanding at Year End—$0.00.

Note 7: Derivative Instruments

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 following disclosure summarizes MSU's share of the A&M System's derivative activity. Note 3 also discloses details about these investment derivatives.

	Changes in Fair Value		Fair Value as of 8/31/2014		
	Classification	**Amount**	**Classification**	**Amount**	**Notional Amount**
Investment Derivatives					
Foreign Currency Forward	Investment Income	$ 731.02	Investment	$ 731.02	$ 263,670.18

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Note 8: Leases

Midwestern State University has entered into a long-term lease for financing the purchase of a capital asset. Such leases are classified as capital leases for accounting purposes; therefore, such leases are recorded at the present value of the future minimum lease payments at the inception of the lease. The following is the original capitalized cost of such property under lease in addition to the accumulated depreciation as of 8/31/14.

Business-Type Activities	Year Ended August 31, 2014		
	Assets under	**Accumulated**	
Class of Property	**Capital Lease**	**Depreciation**	**Total**
Vehicles	$128,586.10	($62,582.08)	$66,004.02

Future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments at fiscal year-end, are as follows:

Year	**Principal**	**Interest**	**Total**
2015	$74,460.92	$2,078.84	$76,539.76
Total Minimum Lease Payments	$74,460.92	$2,078.84	$76,539.76
Less: Amount Representing Interest at Various Rates			2,078.84
Present Value of Net Minimum Lease Payments			$74,460.92

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**
2015	143,112.90
2016	123,477.98
2017	106,143.90
2018	60,328.92
2019	19,703.93
Total Future Minimum Lease Payments	$452,767.63

Year Ended 8-31-2014 (UNAUDITED)

Note 9: Pension Plans

Teacher Retirement System Pension Plan

The State of Texas has joint contributory retirement plans for substantially all of its benefit eligible employees. One of the primary plans in which the University participates is a cost-sharing multiple-employer defined benefit pension plan administered by the Teacher Retirement System of Texas. Participating employers in the TRS Plan include public schools, service centers, charter schools, and colleges as well as the State of Texas, which covers employees of colleges, universities, medical schools, and certain other state agencies. Employees of the University are members of the TRS Plan if they are employed on a half-time or greater basis, unless they participate in the Optional Retirement Program, described below, or are students employed in a position that requires student status as a condition of employment.

Benefits under the TRS Plan are established or amended by the Texas Legislature in state law, as provided by the Texas Government Code, Chapter 824. Benefits include retirement and disability annuities and death survivor benefits. A member is vested after earning five years of creditable service. Eligibility for service retirement is determined by age and years of TRS service credit. The Teacher Retirement System issues a comprehensive annual financial report that includes the TRS Plan. That report may be obtained by writing to TRS at the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698, or from the TRS Web site at www.trs.state.tx.us.

Contribution requirements for employees and employers are not actuarially determined but are established in the Texas Constitution and pursuant to state law passed by the Texas Legislature each biennium. The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year. For the year ended August 31, 2014, the statutorily required contribution rate was 6.4% of annual compensation from active plan members and 6.8% of annual compensation from the University.

The Teacher Retirement System does not separately account for each of its component government agencies because the Teacher Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, are included in the Teacher Retirement System's annual financial report.

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

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 the University, 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 the University 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, 2014 compared to the previous year, are shown below:

	Year Ended August 31, 2014	Year Ended August 31, 2013
Member Contributions	$1,092,969.35	$1,078,889.68
Employer Contributions	1,205,946.26	1,148,237.73
Total Remittance	$2,298,915.61	$2,227,127.41

Note 10: Deferred Compensation

The university's Board of Regents approved a non-qualified deferred compensation plan which provided for $3,750.00 per month to be set-aside for the President for twenty-four months beginning September 1, 2013 and ending August 31, 2015. The Board of Regents amended the monthly set-aside amount to $5,125.00 beginning with the September 1, 2014 contribution.

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

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

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

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Note 11: Postemployment Health Care and Life Insurance Benefits

Not Applicable.

Note 12: Interfund Activity and Transactions

University transactions with other state agencies are as follows:

Name of State Agency, Agency Number	Interfund Receivable	Interfund Payable	Purpose
Interfund Receivables and Payables—Current:			
State Energy Conservation Office, 907			
D23 Fund 7999		$261,551.13	SECO Federal Revolving Loan
Interfund Receivables and Payables—Non Current:			
State Energy Conservation Office, 907			
D23 Fund 7999		$1,523,802.46	SECO Federal Revolving Loan

Name of State Agency, Agency Number	Due From Other Agencies	Due To Other Agencies	Purpose
Due to Due From:			
Texas Department of Transportation, 601			
D23 Fund 0802	$ 0.99		Texas Collegiate License Plate Fund
Texas Tech University, 733			
D23 Fund 7999	29,956.35		Small Business Development Center
Total Due From/To	$ 29,957.34		

	Transfer In	Transfer Out	
Operating Transfers:			
Texas Higher Education Coordinating Board, 781			
D23 Fund 2604		$ 952.00	Dental Hygiene Degree or Certification Program
D23 Fund 5103		349,003.65	Texas B-On-Time Loan Program
Texas Public Finance Authority, 347			
D23 Fund 7999		427,631.21	Master Lease Purchase Payment
Midwestern State University, 735			
D23 Fund 0802	$ 0.99		Texas Collegiate License Plate Interfund Transfer
D23 Fund 5015		$ 0.99	Texas Collegiate License Plate Interfund Transfer
Total Transfers	$ 0.99	$ 777,587.85	

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

Note 13: Continuance Subject to Review

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

Note 14: Adjustments to Fund Balance/Net Position

In fiscal year 2013, items related to facilities were capitalized and moved to construction in progress based on the assumption that the total project costs would exceed the capitalization threshold of $100,000. In fiscal year 2014, the project was postponed indefinitely. Therefore, an adjustment to fund balance was made to reflect the amount expensed in a prior year. The adjustment of $17,500.00 was made to the fiscal year 2013 balances in Construction in Progress and Net Investment in Capital Assets. The adjustment is also reflected in Note 2, Capital Assets, within the adjustments column.

Note 15: Contingencies and Commitments

There is no pending or threatened litigation.

Note 16: Subsequent Events

Midwestern State University submitted a capital expenditure for consideration in the Legislative Appropriations Request for the 84th Texas Legislature. The $73 million request includes the construction of a new Gunn College of Health Science and Human Services building, improvements to Moffett Library, the relocation of IT to a more secure building, and many electrical, HVAC and ADA upgrades and improvements.

The generous support from donors has allowed the university to continue current capital construction projects. Significant external improvements at the Wichita Falls Museum of Art at Midwestern State University have begun. The project includes improvements to surrounding parking lots and access to the museum, the addition of a terrace to the entryway, and construction of an outdoor stage overlooking Sikes Lake.

Additionally, Phase II of the Joe B. Hood Research Lab at Dalquest began in September. The Dalquest Research Station is located in west Texas on the Presidio/Brewster County line, north of and adjoining the Big Bend Ranch State Park. The majority of the site has little human influence. With the construction of the Joe B. Hood Research Lab, scientists, naturalists, educators, and students will be able to conduct field research for generations to come.

The West Campus Annex project began in late August. The project includes a renovation of a portion of the Christ Academy building. The renovation will allow the football administrative offices to relocate from various locations on campus to one central office.

Construction of the Mustangs Walk began in October. The Board of Regents approved a campus master plan in August 2014, and it indicated the need for a safer, more pedestrian-friendly campus. The Mustangs Walk will provide students a safe, pedestrian walkway through the middle corridor of campus with the goal of eventually connecting the main campus with south campus.

Finally, during its November meeting, the Board of Regents approved construction of a new 500-bed student dormitory at a cost of approximately $33.25 million. The new housing facility will be located east of Sunwatcher Village and adjacent to McCullough-Trigg Hall. The Board of Regents also approved an approximately 18,500 square foot addition to the Fain Fine Arts building to accommodate the growth of the mass communications department. The addition will cost approximately $5 million. Revenue bonds, once approved by the Board of Regents, will be issued in 2015 to fund both projects, at a cost not to exceed $38.25 million.

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, 2014, 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 $75,710.50 and $84,288.86 for worker's compensation coverage for fiscal years ending August 31, 2014 and 2013, respectively. Unemployment compensation is funded on a pay as you go method, with the State contributing half of the cost of benefits and the university contributing the other half for employees paid by State appropriated funds. The university must pay 100% of the cost of benefits for employees paid from local funds.

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

Note 18: Management's Discussion and Analysis

See Introduction.

Note 19: The Financial Reporting Entity and Related Parties

The 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 MSU Charitable Trust are nonprofit organizations with the sole purpose of supporting the educational and other activities of the university. The Foundation solicits donations and acts as coordinator of gifts made by other parties. The Foundation remitted restricted gifts of $1,366,493 to the university during the year ended August 31, 2014, and $1,474,951 for the prior year. The MSU Charitable Trust remitted restricted gifts of $812,134 to the university during the year ended August 31, 2014 and $830,279 for the prior year. The assets of the Midwestern State University Foundation and the MSU Charitable Trust as of August 31, 2014 are reported by their trustees in the amount of $23,350,954 and $29,549,469, respectively.

Note 20: Stewardship, Compliance and Accountability

Financial information is reported in accordance with the requirements established by GASB No. 34, GASB No. 35, and GASB No. 63. The university administration is not aware of any noncompliance items.

Note 21: Not Applicable to the AFR Reporting Requirements Process

Note 22: Donor Restricted Endowments

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.

For the fiscal year ended August 31, 2014, the net appreciation on investments of donor restricted endowments available for authorization of expenditure, after distributions, is as follows:

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported in Net Position
True Endowments	None	Restricted for Nonexpendable
Term Endowments	$ 1,067,569.19	Restricted for Nonexpendable
True Endowments	None	Restricted for Expendable

Note 23: Extraordinary and Special Items

Not Applicable.

Note 24: Disaggregation of Receivable and Payable Balances

Accounts Receivables

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

Accounts Receivable Category	Current Amount
3rd Party Contracts on Student Receivables	$ 895,899.49
Non-Student Receivables from Other Agencies	351,258.33
Summer Camp Programs Receivable	80,720.75
Follett Bookstore Receivable	134,705.38
Employee Travel Advances	7,233.60
Payroll Advances and Receivables	500.18
Miscellaneous Receivables	3,533.51
Total	**$1,473,851.24**

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.

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

Not Applicable.

Note 29: Troubled Debt Restructuring

Not Applicable.

Note 30: Non-Exchange Financial Guarantees

Not Applicable.

Unaudited

Schedule 1A - Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014, with Comparative Totals for the Year Ended August 31, 2013

	CFDA Number	ID #	Univ/ Agy #	Pass-Through From Agency Amount	Pass-Through From University Amount	Pass-Through From Non State Entities Amount
National Endowment for the Humanities		Humanities Texas				
Promotion of the Humanities-Federal/State Partnership	45.129	HTX #2014-4531				$ 5,126.00
Direct Program:						
Promotion of the Humanities-Public Programs	45.164					
Totals - National Endowment for the Humanities						5,126.00
Small Business Administration						
Pass-Through From:						
TTU-Small Business Development Center	59.037		733		$121,918.31	
U.S. Department of Education						
Direct Program:						
Bilingual Education Professional Development	84.195					
Pass-Through From:						
Statewide Data Systems—THECB	84.372		781	$2,000.00		
Totals - U.S. Department of Education				2,000.00		
National Science Foundation						
Mathematical and Physical Sciences:	47.049	DMS-0846477				
Student Financial Assistance Cluster						
U.S. Department of Education						
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						
TRIO Cluster						
U.S. Department of Education						
Direct Programs						
TRIO-Student Support Services	84.042					
Total Federal Financial Assistance				$2,000.00	$121,918.31	$ 5,126.00

		Pass-Through To			2014	2013
Direct Program	Total Pass-Through From & Direct Program	Agency or Univ Amount	Non-State Entities Amount	Expenditures	Total PT To and Expenditures	Total PT To and Expenditures
	$ 5,126.00			$ 5,126.00	$ 5,126.00	
$ 1,500.00	1,500.00			1,500.00	1,500.00	
1,500.00	6,626.00			6,626.00	6,626.00	
	121,918.31			121,918.31	121,918.31	$104,681.45
						118,997.37
	2,000.00			2,000.00	2,000.00	
	2,000.00			2,000.00	2,000.00	118,997.37
						1,787.20
142,948.00	142,948.00			142,948.00	142,948.00	167,162.00
96,630.89	96,630.89			96,630.89	96,630.89	98,515.67
8,316,438.01	8,316,438.01			8,316,438.01	8,316,438.01	8,014,771.20
27,610,488.00	27,610,488.00			27,610,488.00	27,610,488.00	27,952,158.00
81,301.00	81,301.00			81,301.00	81,301.00	112,382.77
36,247,805.90	36,247,805.90			36,247,805.90	36,247,805.90	36,344,989.64
211,042.39	211,042.39			211,042.39	211,042.39	204,722.14
$36,460,348.29	$36,589,392.60			$36,589,392.60	$36,589,392.60	$36,775,177.80

Schedule 1A—Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2014

Note 1: Nonmonetary Assistance

Not Applicable

Note 2: Reconciliation	08/31/2014
Federal Revenues - Per Exhibit II	
Federal Grant Revenue - Operating	$ 533,422.28
Federal Grant Revenue - Non-Operating	8,316,438.01
Federal Pass-through Revenue-Operating	127,044.31
Federal Pass-through Revenue-Non-Operating	2,000.00
Total Federal Revenues	8,978,904.60
Reconciling Items: New Loans Processed	
Federal Perkins Loans Processed	
Federal Direct Student Loans Processed	27,610,488.00
	$36,589,392.60

Note 3a: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/Program Name	New Loans Processed	Admin Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balances of Previous Years' Loans
U.S. Department of Education				
84.038 Federal Perkins Loan Program				$58,317.09
84.268 Federal Direct Student Loans Program	$27,610,488.00		$27,610,488.00	
Total Department of Education	$27,610,488.00		$27,610,488.00	$58,317.09

Note 4: Depository Libraries for Government Publications

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

Note 5: Unemployment Insurance

Not Applicable

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

Not Applicable

Note 7: Federal Deferred Revenue

CFDA Number/Program Name	Federal Deferred Revenue 09/01/13	Increase / (Decrease)	Federal Deferred Revenue 08/31/14
None for the Year Ended August 31, 2014			

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

Unaudited

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

Operating Revenue:	2014	2013
Pass-Through From:		
UT System (Agy #720)	$ 8,780.92	$ 5,286.31
Texas Commission on the Arts (TCA—Agy #813)		
Arts Create	5,000.00	
Arts Respond	5,000.00	
Texas State Board of Public Accountancy (TSBPA—Agy #457)		
5th Year Accounting	3,500.00	
Texas Higher Education Coordinating Board (Agy #781)		
College Work Study Program	35,513.26	28,542.00
Engineering Recruitment Program	12,500.00	
Nursing & Allied Health		(33,324.04)
Professional Nursing Shortage Reduction Program	64,403.00	15,423.00
TEXAS Grant Program	3,331,667.00	2,870,000.00
Top 10% Scholarships	86,500.00	228,000.00
Total Operating Pass-Through Revenue (Exhibit II)	$ 3,552,864.18	$ 3,113,927.27

Nonoperating Revenue:	2014	2013
Pass-Through From:		
Texas Higher Education Coordinating Board (Agy #781)		
Hazlewood Exemption HB1025	$ 270,071.00	
Total Nonoperating Pass-Through Revenue (Exhibit II)	$ 270,071.00	

Pass Through To:

None

Year Ended 8-31-2014 (UNAUDITED)

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ANNUAL FINANCIAL REPORT

Unaudited

Midwestern State University
Schedule 2A - Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2014

Business Type Activities

Description of Issue	Bonds Issued To Date	Range of Interest Rates	Scheduled Maturities First Year	Scheduled Maturities Last Year	First Call Date
General Obligation Bond:					
Constitutional Appropriation Bonds: Series 2004	$11,185,000.00	2.75% - 3.75%	2005	2013	None
Revenue Bonds:					
Revenue Financing System Revenue Bonds: Series 2002	8,965,000.00	4.00% - 5.00%	2003	2021	12-01-12
Building Revenue & Refunding Bonds: Series 2003	13,180,000.00	2.00% - 5.00%	2003	2024	12-01-13
Revenue and Refunding Bonds: Series 2007	28,855,000.00	4.00% - 4.625%	2008	2032	12-01-16
Revenue Financing System Revenue Bonds: Series 2008	38,415,166.55	3.00% - 5.25%	2008	2034	12-01-18
Revenue Financing System Revenue Bonds: Series 2010	6,700,000.00	4.00% - 5.00%	2012	2036	12-01-20
Revenue Financing System Refunding Bonds: Series 2012A	4,710,000.00	2.00% - 2.25%	2013	2020	12-01-20
Revenue Financing System Refunding Bonds: Series 2012B	5,415,000.00	0.50% - 3.25%	2013	2024	12-01-24
Total	$117,425,166.55				

Year Ended 8-31-2014 (UNAUDITED)

Unaudited

Midwestern State University

Schedule 2B - Changes in Bonded Indebtedness

For the Fiscal Year Ended August 31, 2014

Business Type Activities

Description of Issue	Bonds Outstanding 09-01-2013	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08-31-2014	Amounts Due Within One Year
General Obligation Bonds:						
Constitutional Appropriation Bonds:						
Series 2004	$1,455,000.00		$1,455,000.00		$ 0.00	
Revenue Bonds:						
Revenue Financing System Revenue Bonds:						
Series 2002	465,000.00		465,000.00		0.00	
Building Revenue and Refunding Bonds:						
Series 2003	2,220,000.00		790,000.00		1,430,000.00	830,000.00
Revenue and Refunding Bonds:						
Series 2007	23,315,000.00		1,350,000.00		21,965,000.00	1,400,000.00
Revenue Financing System Revenue Bonds:						
Series 2008	34,819,754.04	$ 115,030.45 *	1,095,000.00		33,839,784.49	1,140,000.00
Revenue Financing System Revenue Bonds:						
Series 2010	6,395,000.00		160,000.00		6,235,000.00	170,000.00
Revenue Financing System Refunding Bonds:						
Series 2012A	4,555,000.00		125,000.00		4,430,000.00	605,000.00
Revenue Financing System Refunding Bonds:						
Series 2012B	5,295,000.00		70,000.00		5,225,000.00	70,000.00
Total	$78,519,754.04	$ 115,030.45	$5,510,000.00	$ 0.00	$73,124,784.49	$4,215,000.00

*Accretion on Capital Appreciation Bonds

Unamortized Premium	Unamortized Discount	Unamortized Gain (Loss) On Refunding	Net Bonds Outstanding 08-31-2014	Amounts Due Within One Year
			$ 0.00	
			0.00	
			1,430,000.00	
	$(221,877.82)		21,743,122.18	$(12,344.13)
$ 253,633.42			34,093,417.91	86,456.53
			6,235,000.00	
			4,430,000.00	
			5,225,000.00	
$ 253,633.42	$(221,877.82)		$73,156,540.09	$ 74,112.40

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

Unaudited

Midwestern State University
Schedule 2C - Debt Service Requirements
For the Fiscal Year Ended August 31, 2014

Business Type Activities

Description of Issue	2015	2016	2017	2018	2019
Revenue Bonds:					
Revenue Financing System Revenue Bonds:					
Series 2003					
Principal	$830,000.00	$ 600,000.00			
Interest	47,887.50	13,050.00			
Revenue Financing System Revenue and Refunding Bonds:					
Series 2007					
Principal	1,400,000.00	1,455,000.00	$1,515,000.00	$1,580,000.00	$1,640,000.00
Interest	924,932.50	866,013.75	804,795.00	742,895.00	677,470.00
Revenue Financing System Revenue Bonds:					
Series 2008					
Principal	1,140,000.00	1,180,000.00	1,205,000.00	1,230,000.00	1,285,000.00
Interest	1,523,257.50	1,476,857.50	2,313,121.40	1,428,657.50	1,378,357.50
Revenue Financing System Revenue Bonds:					
Series 2010					
Principal	170,000.00	180,000.00	185,000.00	195,000.00	205,000.00
Interest	284,506.26	276,606.26	267,481.26	257,981.26	247,981.26
Revenue Financing System Revenue and Refunding Bonds:					
Series 2012A					
Principal	605,000.00	615,000.00	630,000.00	645,000.00	660,000.00
Interest	84,050.00	71,850.00	59,400.00	46,650.00	33,600.00
Revenue Financing System Revenue and Refunding Bonds:					
Series 2012B					
Principal	70,000.00	70,000.00	515,000.00	520,000.00	535,000.00
Interest	131,015.30	130,337.00	126,113.43	117,778.56	107,612.61
Total	7,210,649.06	6,934,714.51	7,620,911.09	6,763,962.32	6,770,021.37
Less Interest	(2,995,649.06)	(2,834,714.51)	(3,570,911.09)	(2,593,962.32)	(2,445,021.37)
Total Principal	$ 4,215,000.00	$ 4,100,000.00	$4,050,000.00	$4,170,000.00	$4,325,000.00

Year
Ended
8-31-2014
(UNAUDITED)

2020-24	2025-29	2030-34	2035-39	Total Requirements
				$1,430,000.00
				60,937.50
$5,515,000.00	$6,100,000.00	$2,760,000.00		21,965,000.00
2,641,338.75	1,285,068.75	233,562.52		8,176,076.27
7,280,000.00	9,145,000.00	11,750,000.00		34,215,000.00
6,015,615.00	4,156,833.75	1,743,087.50		20,035,787.65
1,175,000.00	1,450,000.00	1,815,000.00	$ 860,000.00	6,235,000.00
1,078,281.30	767,931.30	412,334.39	40,237.50	3,633,340.79
675,000.00	600,000.00			4,430,000.00
20,250.00	6,750.00			322,550.00
2,885,000.00	630,000.00			5,225,000.00
322,288.40	10,209.15			945,354.45
27,607,773.45	24,151,792.95	18,713,984.41	900,237.50	106,674,046.66
(10,077,773.45)	(6,226,792.95)	(2,388,984.41)	(40,237.50)	(33,174,046.66)
$ 17,530,000.00	$ 17,925,000.00	$16,325,000.00	$ 860,000.00	$73,500,000.00
		Less Unamortized Accretion		(375,215.51)
				$73,124,784.49

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

Year Ended 8-31-2014 (UNAUDITED)

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Midwestern State University

Schedule 2D - Analysis of Funds Available for Debt Service

For the Year Ended August 31, 2014

Business Type Activities

Description of Issue

General Obligation Bonds	Application of Funds	
	Principal	Interest
Constitutional Appropriation		
Series 2004	$ 1,455,000.00	$ 27,281.25

Pledged and Other Sources and Related Expenditures for FY 2014

Revenue Financing System Revenue Bonds	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures And Capital Outlay	Principal	Interest
Revenue Financing System				
Series 2002			$ 465,000.00	$ 9,881.25
Building Revenue & Refunding				
Series 2003			790,000.00	85,475.00
Revenue and Refunding				
Series 2007			1,350,000.00	979,932.50
Revenue Financing System				
Series 2008			1,095,000.00	1,566,588.75
Revenue Financing System				
Series 2010		$47,979.16	160,000.00	291,106.26
Revenue Financing System				
Series 2012A			125,000.00	91,350.00
Revenue Financing System				
Series 2012B			70,000.00	131,489.90
Total for all Revenue Financing System Revenue Bonds	$67,455,168.66	$47,979.16	$4,055,000.00	$3,155,823.66

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Midwestern State University

Schedule 2E - Defeased Bonds Outstanding

For the Fiscal Year Ended August 31, 2014

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Business Type Activities

Description of Issue	Year Refunded	Par Value Outstanding
Revenue Financing System Revenue Bonds		
Series 2002	2013	$ 4,600,000.00
Revenue Financing System Revenue and Refunding Bonds		
Series 2003	2013	4,945,000.00
Total		$ 9,545,000.00

Year Ended 8-31-2014 (UNAUDITED)

Unaudited

Midwestern State University
Schedule 2F - Early Extinguishment and Refunding
For the Fiscal Year Ended August 31, 2014

Business Type Activities

Description of Issue	Category	Amount Extinguished or Refunded	Refunded Issued Par Value	Cash Flow Increase (Decrease)	Economic Gain/(Loss)
None for the Year Ended August 31, 2014					

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

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 2014	Prior Year 2013
General Revenue - Dedicated Fund 0264	$4,377,642.15		$4,377,642.15	$4,508,478.78
Special Mineral Fund - Fund 0412	16,688.41		16,688.41	
Total Cash in State Treasury (Stmt of Net Assets)	$4,394,330.56		$4,394,330.56	$4,508,478.78

Year Ended 8-31-2014 (UNAUDITED)

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APPENDIX D

FORMS OF BOND COUNSEL OPINION

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ANDREWS
ATTORNEYS KURTH LLP

111 Congress Avenue, Suite 1700
Austin, Texas 78701
512.320.9200 Phone
512.320.9292 Fax
andrewskurth.com

June 30, 2015

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with an issue of bonds (the "Bonds") described as follows:

> TEXAS PUBLIC FINANCE AUTHORITY MIDWESTERN STATE UNIVERSITY REVENUE FINANCING SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2015A, dated June 30, 2015, in the aggregate principal amount of $53,335,000, maturing on December 1 in the years 2015 through and including 2032 and in the years 2034, 2035, 2040 and 2044. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the respective resolutions of the Authority and the Board of Regents (the "Board") of Midwestern State University (the "University") authorizing the issuance of the Bonds (collectively, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolutions.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds. The transcript contains certified copies of certain proceedings of the Authority, the Board and Wilmington Trust National Association (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, certified public accountants, which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Authority enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolutions), such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Prior Encumbered Obligations. The Resolutions provide certain conditions under which the Authority and the Board may issue additional parity revenue obligations payable from the same source and secured in the same manner as the Bonds;

(3) The escrow agreement between the Board and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the resolutions authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolutions.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or, except as hereinafter described, corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority and the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Board have covenanted in the Resolutions to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Authority or the Board fails to comply with the foregoing provisions of the Resolutions, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusions occurs.

WE CALL TO YOUR ATTENTION THAT interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT)) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed. Purchasers of Bonds are directed to the discussion entitled "TAX MATTERS FOR THE SERIES 2015A BONDS" set forth in the Official Statement.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the

Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

7874/7866

ANDREWS KURTH LLP
ATTORNEYS

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June 30, 2015

WE HAVE ACTED as Bond Counsel for the Texas Public Finance Authority (the "Authority") in connection with an issue of bonds (the "Bonds") described as follows:

> TEXAS PUBLIC FINANCE AUTHORITY MIDWESTERN STATE UNIVERSITY REVENUE FINANCING SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2015B, dated June 30, 2015, in the aggregate principal amount of $3,755,000, maturing on December 1 in the years 2015 through 2021, inclusive. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the respective resolutions of the Authority and the Board of Regents (the "Board") of Midwestern State University (the "University") authorizing the issuance of the Bonds (collectively, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Resolutions.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity we have examined the Constitution and laws of the State of Texas; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds. The transcript contains certified copies of certain proceedings of the Authority, the Board and Wilmington Trust National Association (the "Escrow Agent"); the report (the "Report") of Grant Thornton LLP, certified public accountants, which verifies the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds; certain certifications and representations and other material facts within the knowledge and control of the Authority and the Board, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority, the University or the Board or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Authority enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolutions), such lien on and pledge of the Pledged Revenues being subordinate only to the lien on and pledge of the Pledged Revenues securing the Prior Encumbered Obligations. The Resolutions provide certain conditions under which the Authority and the Board may issue additional parity revenue obligations payable from the same source and secured in the same manner as the Bonds;

(3) The escrow agreement between the Board and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of revenues as set forth in the resolutions authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolutions.

WE EXPRESS NO OPINION as to the treatment of the interest on the Bonds for federal income tax purposes or any other matter.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

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