

# **Langston University**

Independent Auditor's Reports and Financial Statements

June 30, 2019 and 2018



**Langston University**  
**June 30, 2019 and 2018**

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# Langston University

June 30, 2019 and 2018

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## Independent Auditor's Report

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Langston University as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Langston University Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Langston University as of June 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior Year Audited by Other Auditors***

The 2018 financial statements were audited by other auditors, and their report thereon, dated October 31, 2018, expressed an unmodified opinion.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated March 4, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*BKD, LLP*

Tulsa, Oklahoma  
March 4, 2020

# Langston University

## Management's Discussion and Analysis

### Years Ended June 30, 2019 and 2018

The following management's discussion and analysis (MD&A) of the financial performance of Langston University (the University) provides an overview of the University's financial activities for the fiscal years ended June 30, 2019 and 2018. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the University's financial statements.

Effective July 1, 2017, the University implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new standard required the University to report liabilities associated with its other postemployment benefits (OPEB) that had previously not been recognized. As a result, the University has reduced its opening net position as of July 1, 2017. Amounts for 2017 have not been restated, but are presented as originally reported, because to do so was not practical.

#### **Financial Summary**

- The University's net position and changes in net position for FY 2019 as compared to FY 2018 and FY 2017 were impacted by significant decreases in the capital lease obligations and requirements to recognize the University's share of the Oklahoma Teachers Retirement System (OTRS) pension liability and OPEB liabilities. The market appreciation of the endowment contributed to a \$3.0 million increase in noncurrent assets, while a pension liability of \$35.0 million was recognized as of June 30, 2019, with an overall decrease of approximately \$1.5 million in noncurrent liabilities. Deferred outflows of resources related to the pension and OPEB obligation were recognized in the amount of \$10.6 million. Additionally, deferred inflows of resources related to the pension and OPEB obligations and debt refinancing were also recorded in the amount of \$8.9 million with pensions, specifically, reflecting differences between projected and actual earnings on pension plan investments and differences between expected and actual experience.

The resulting net position for the University amounted to \$81.4 million, \$74.8 million and \$75.0 million at June 30, 2019, 2018 and 2017, respectively.

- Total revenues for fiscal years ended June 30, 2019, 2018 and 2017, amounted to \$77.5 million, \$70.9 million and \$72.4 million, respectively. Nonoperating revenues increased by \$9.2 million, reflecting increases in other non-operating revenues and gains on endowment investments.
- Total expenses amounted to \$70.9 million, \$68.5 million and \$70.9 million for the fiscal years ended June 30, 2019, 2018 and 2017, respectively. Operating expenses increased during FY 2019 by \$2.3 million reflecting an increase primarily in contractual services.

## Condensed Statements of Net Position

A comparative schedule of the University's net position for the years ended June 30, 2019, 2018 and 2017, is shown below, including the percentage of annual change:

	2019	2018	2019 Increase (Decrease)	2019 Percent Change	2017*	2018 Increase (Decrease)	2018 Percent Change
<b>Assets</b>							
Current assets	\$ 34,324,679	\$ 31,041,464	\$ 3,283,215	10.58%	\$ 28,297,679	\$ 2,743,785	9.70%
Noncurrent assets	138,128,770	135,126,316	3,002,454	2.22%	135,824,888	(698,572)	-0.51%
Total assets	172,453,449	166,167,780	6,285,669	3.78%	164,122,567	2,045,213	1.25%
<b>Deferred Outflows of Resources</b>	10,582,852	6,951,479	3,631,373	52.24%	12,392,095	(5,440,616)	-43.90%
<b>Liabilities</b>							
Current liabilities	15,259,633	12,481,766	2,777,867	22.26%	9,350,259	3,131,507	33.49%
Noncurrent liabilities	77,524,115	79,072,577	(1,548,462)	-1.96%	89,989,929	(10,917,352)	-12.13%
Total liabilities	92,783,748	91,554,343	1,229,405	1.34%	99,340,188	(7,785,845)	-7.84%
<b>Deferred Inflows of Resources</b>	8,864,515	6,804,969	2,059,546	30.27%	2,165,381	4,639,588	214.26%
<b>Net Position</b>							
Net investment in capital assets	46,150,001	45,494,248	655,753	1.44%	44,715,211	779,037	1.74%
Restricted	53,770,537	49,768,470	4,002,067	8.04%	44,948,259	4,820,211	10.72%
Unrestricted	(18,532,500)	(20,502,771)	1,970,271	9.61%	(14,654,377)	(5,848,394)	-39.91%
Total net position	\$ 81,388,038	\$ 74,759,947	\$ 6,628,091	8.87%	\$ 75,009,093	\$ (249,146)	-0.33%

\*Amounts not restated for MD&A purposes for adoption of GASB 75

### FY 2019 Versus FY 2018

Total assets increased \$6.3 million during FY 2019. Market appreciation in the endowment and increased cash were offset by increased depreciation in capital assets.

Deferred outflows of resources increased by \$3.6 million primarily due to a change in assumptions and the net difference between projected and actual earnings on pension and OPEB plan investments.

Total liabilities increased \$1.2 million compared to the previous year, reflecting primarily the increase in accrued loss liabilities. Increases of \$1.2 million in accrued loss liabilities and the University's \$32.3 million share of the OTRS pension liability up to \$35.0 million was combined with decreases in capital lease obligations and OPEB obligations of approximately \$4.0 million.

Deferred inflows of resources increased \$2.1 million due to the change in pension and OPEB liability from recognition of deferred inflows relating to the difference between projected and actual earnings on pension plan investments, as well as differences between expected and actual experience.

Net position increased from \$74.8 million at June 30, 2018, to \$81.4 million at June 30, 2019. The increases were reflected in net investment in capital assets, the market appreciation of the endowment and unrestricted net position.

### FY 2018 Versus FY 2017

Total assets increased \$2.0 million during FY 2018. Market appreciation in the endowment and increased grants receivables were offset by increased depreciation in capital assets.

Deferred outflows of resources decreased by \$5.4 million primarily due to a change in assumptions and the net difference between projected and actual earnings on pension and OPEB plan investments.



Total liabilities decreased \$7.8 million compared to the previous year, reflecting primarily the decrease in pension liabilities. Decreases of its \$42.5 million share of the OTRS pension liability down to \$32.4 million was combined with decreases in capital lease obligations of approximately \$3.7 million.

Deferred inflows of resources increased \$4.6 million due to the change in pension and OPEB liability from recognition of deferred inflows relating to the difference between projected and actual earnings on pension plan investments, as well as differences between expected and actual experience.

Net position decreased from \$75 million at June 30, 2017, to \$74.8 million at June 30, 2018, primarily due to the restatement to beginning net position from the implementation of GASB 75. Increases were reflected in net investment in capital assets, the market appreciation of the endowment and unrestricted net position due to the reduction on the OTRS net pension liability.

### **Condensed Statements of Revenues, Expenses and Changes in Net Position**

The table below summarizes the University's statements of revenues, expenses and changes in net position for the years ended June 30, 2019, 2018 and 2017:

	2019	2018	2019 Increase (Decrease)	2019 Percent Change	2017*	2018 Increase (Decrease)	2018 Percent Change
<b>Operating Revenues</b>	\$ 28,187,357	\$ 30,505,368	\$ (2,318,011)	-7.60%	\$ 30,470,679	\$ 34,689	0.11%
<b>Operating Expenses</b>	60,471,537	58,153,690	2,317,847	3.99%	60,728,780	(2,575,090)	-4.24%
<b>Operating Loss</b>	(32,284,180)	(27,648,322)	(4,635,858)	16.77%	(30,258,101)	2,609,779	-8.63%
<b>Nonoperating Revenues (Expenses)</b>	35,069,624	25,995,185	9,074,439	34.91%	27,707,822	(1,712,637)	-6.18%
<b>Gain (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	2,785,444	(1,653,137)	4,438,581	268.49%	(2,550,279)	897,142	-35.18%
<b>Other Revenues, Expenses, Gains and Losses</b>	3,842,647	4,087,409	(244,762)	-5.99%	4,007,418	79,991	2.00%
<b>Change in Net Position</b>	6,628,091	2,434,272	4,193,819	172.28%	1,457,139	977,133	67.06%
<b>Net Position, Beginning of Year</b>	74,759,947	72,325,675	2,434,272	3.37%	73,551,954	(1,226,279)	-1.67%
<b>Net Position, End of Year</b>	\$ 81,388,038	\$ 74,759,947	\$ 6,628,091	8.87%	\$ 75,009,093	\$ (249,146)	-0.33%

\*Amounts not restated for MD&A purposes for adoption of GASB 75

### **FY 2019 Versus FY 2018**

Total revenues include operating revenues, state appropriations and other nonoperating revenues, such as investment gains, interest income, pass-through grants and on-behalf contributions. For FY 2019, total revenues increased by approximately \$6.6 million compared to the previous year. Operating revenues decreased \$2.3 million, which is primarily related to decreased grants and contracts and auxiliary revenues. That decrease was then offset by the increases in other nonoperating revenues and gains on endowment investments revenue.

Total expenses include operating expenses as well as nonoperating expenses, such as interest expense. Total expenses increased \$2.4 million for FY 2019. Operating expenses increased during FY 2019 by \$2.3 million reflecting an increase primarily in contractual services.

### **FY 2018 Versus FY 2017**

Total revenues include operating revenues, state appropriations and other nonoperating revenues, such as investment gains, interest income, pass-through grants and on-behalf contributions. For FY 2018, total revenues decreased by approximately \$1.5 million, compared to the previous year. Operating revenues

increased \$35 thousand, which is primarily related to increased tuition and fees and meal plan revenues offset by decreases in grants and contracts and housing revenues. That slight increase was then offset by the decreases in state appropriations and gains on endowment investments revenue.

Total expenses include operating expenses as well as nonoperating expenses, such as interest expense. Total expenses decreased \$2.4 million for FY 2018. Operating expenses decreased during FY 2018 by \$2.5 million reflecting a decrease primarily in contractual services as well as in employee compensation and benefits resulting from the recording of deferred pension inflows and outflows and related amortization.

### **Condensed Statements of Cash Flows**

The table below is a summary of the net cash flows of the University for the years ended June 30, 2019, 2018 and 2017, as reflected in its financial statements.

	2019	2018	2019 Increase (Decrease)	2019 Percent Change	2017	2018 Increase (Decrease)	2018 Percent Change
<b>Net Cash Provided by (Used in)</b>							
Operating activities	\$(21,919,528)	\$(21,095,502)	\$ (824,026)	-3.91%	\$(22,724,631)	\$ 1,629,129	7.17%
Noncapital financing activities	28,203,376	23,318,695	4,884,681	20.95%	24,800,840	(1,482,145)	-5.98%
Capital and related financing activities	(3,230,823)	(2,851,481)	(379,342)	-13.30%	(2,921,024)	69,543	2.38%
Investing activities	688,824	523,420	165,404	31.60%	455,160	68,260	15.00%
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,741,849	(104,868)	3,846,717	3668.15%	(389,655)	284,787	73.09%
<b>Cash and Cash Equivalents, Beginning of Year</b>	22,195,762	22,300,630	(104,868)	-0.47%	22,690,285	(389,655)	-1.72%
<b>Cash and Cash Equivalents, End of Year</b>	\$ 25,937,611	\$ 22,195,762	\$ 3,741,849	16.86%	\$ 22,300,630	\$ (104,868)	-0.47%

### **FY 2019 Versus FY 2018**

Cash and cash equivalents amounted to \$25.9 million at June 30, 2019, a \$3.7 million increase from the previous year. Net cash used in operating activities increased \$824 thousand from the previous year. This increase primarily reflects an increase in payments to suppliers. Net cash provided by noncapital financing activities saw an increase of \$4.9 million primarily due to cash received from endowment proceeds and cash received from insurance proceeds. Cash provided by investing activities increased by \$165 thousand primarily reflecting increased investment income.

### **FY 2018 Versus FY 2017**

Cash and cash equivalents amounted to \$22.2 million at June 30, 2018, a \$100 thousand decrease from the previous year. Net cash used in operating activities decreased \$1.6 million from the previous year. This decrease primarily reflects an increase in cash from tuition and fees, as well as decreased payments to suppliers. Net cash provided by noncapital financing activities saw a decrease of \$1.5 million primarily due to reduced state appropriations, while net cash used in capital and related financing activities decreased by \$70 thousand, due to increased state appropriations restricted for capital received. Cash provided by investing activities increased by \$68 thousand, primarily reflecting increased investment income.

## Capital Assets

The following table represents the University's capital assets at June 30, 2019, 2018 and 2017:

	2019	2018	2019 Increase (Decrease)	2019 Percent Change	2017	2018 Increase (Decrease)	2018 Percent Change
<b>Capital Assets</b>							
Land	\$ 2,546,375	\$ 2,546,375	\$ -	0.00%	\$ 2,546,375	\$ -	0.00%
Artwork	1,550,000	1,550,000	-	0.00%	1,550,000	-	0.00%
Construction in progress	-	594,399	(594,399)	-100.00%	-	594,399	100.00%
Buildings and improvements	129,751,234	129,466,322	284,912	0.22%	129,180,780	285,542	0.22%
Infrastructure	5,005,299	5,005,299	-	0.00%	5,005,299	-	0.00%
Equipment	14,201,298	18,616,298	(4,415,000)	-23.72%	18,539,909	76,389	0.41%
Library materials	4,317,739	4,317,739	-	0.00%	4,317,739	-	100.00%
	<u>157,371,945</u>	<u>162,096,432</u>	<u>(4,724,487)</u>	-2.91%	<u>161,140,102</u>	<u>956,330</u>	0.59%
Less accumulated depreciation	<u>(68,259,470)</u>	<u>(69,965,547)</u>	<u>1,706,077</u>	-2.44%	<u>(65,811,658)</u>	<u>(4,153,889)</u>	6.31%
Net capital assets	<u>\$ 89,112,475</u>	<u>\$ 92,130,885</u>	<u>\$ (3,018,410)</u>	-3.28%	<u>\$ 95,328,444</u>	<u>\$ (3,197,559)</u>	-3.35%

### FY 2019 Versus FY 2018

Capital assets amounted to \$89.1 million at June 30, 2019, a \$3.0 million decrease from June 30, 2018. The largest increase in capital assets was reflected in a \$285 thousand increase in buildings and improvements. Offsetting the increase in capital assets was an increase in accumulated depreciation by \$1.7 million, reflecting scheduled depreciation.

### FY 2018 Versus FY 2017

Capital assets amounted to \$92.1 million at June 30, 2018, a \$3.2 million decrease from June 30, 2017. The largest increase in capital assets was reflected in a \$594 thousand increase in construction in progress, primarily for improvements to the football field and track. Other increases represent additional buildings and equipment purchases. Offsetting the increase in capital assets was an increase in accumulated depreciation by \$4.2 million, reflecting scheduled depreciation.

Further detailed information regarding capital assets can be found in the notes to the financial statements (see *Notes 1* and *5*).

## Long-Term Liabilities

The following table presents the University's long-term liabilities as of June 30, 2019, 2018 and 2017:

	2019	2018	2019 Increase (Decrease)	2019 Percent Change	2017	2018 Increase (Decrease)	2018 Percent Change
OCIA capital leases	\$ 9,128,742	\$ 10,546,016	\$ (1,417,274)	-13.44%	\$ 11,916,640	\$ (1,370,624)	-11.50%
ODFA lease obligation	30,381,999	32,242,832	(1,860,833)	-5.77%	34,452,749	(2,209,917)	-6.41%
Premium on capital leases	<u>2,744,894</u>	<u>2,989,609</u>	<u>(244,715)</u>	-8.19%	<u>3,234,324</u>	<u>(244,715)</u>	-7.57%
Total long-term debt	42,255,635	45,778,457	(3,522,822)	-7.70%	49,603,713	(3,825,256)	-7.71%
Net pension liability	34,995,984	32,343,472	2,652,512	8.20%	42,524,145	(10,180,673)	-23.94%
Other liabilities	<u>2,960,443</u>	<u>4,649,387</u>	<u>(1,688,944)</u>	-36.33%	<u>1,687,327</u>	<u>2,962,060</u>	175.55%
Total long-term liabilities	<u>\$ 80,212,062</u>	<u>\$ 82,771,316</u>	<u>\$ (2,559,254)</u>	-3.09%	<u>\$ 93,815,185</u>	<u>\$ (11,043,869)</u>	-11.77%

### ***FY 2019 Versus FY 2018***

Total long-term liabilities decreased \$2.6 million during FY 2019. The decrease of \$3.5 million of long-term debt is primarily due to the annual payment of principal and interest. Long-term debt obligations relating to capital leases declined to \$42.3 million at June 30, 2019, compared to \$45.8 million at June 30, 2018. The net pension obligation reflects an increase of \$2.7 million in long-term liabilities.

### ***FY 2018 Versus FY 2017***

Total long-term liabilities decreased \$11.0 million during FY 2018. The decrease of \$3.8 million of long-term debt is primarily due to the annual payment of principal and interest. Long-term debt obligations relating to capital leases declined to \$45.8 million at June 30, 2018, compared to \$49.6 million at June 30, 2017. The net pension obligation reflects a significant decrease of \$10.2 million in long-term liabilities.

Further detailed information regarding long-term liabilities can be found in *Note 7* in the financial statements.

### ***Economic Factors and the University's Future***

Enrollment trends at the University are showing a slow and steady increase. The freshmen class that enrolled in the fall of 2019 was the second largest class in the last five years at the University. Greater emphasis has been placed on recruiting rural Oklahoma and the surrounding states. Furthermore, the University has partnered with a national institute to increase the number of transfer students that enroll and graduate from our urban campuses in Oklahoma City and Tulsa.

The University did institute a 2% campus-wide pay increase for all full-time regular employees for FY 2020 due to a slight increase in overall appropriations for the fiscal year that supported increases for faculty only. The University subsidized an equivalent increase for all staff in FY 2020.

State appropriations have been declining for the last few years; however, the University did receive a 2.08% increase for FY 2020 that was primarily used for the salary increases noted above. Current Oklahoma revenues are below budgeted levels, which are significantly influenced by energy prices. This continuing condition could result in a reduction during future years. Increases in state funding are needed in order to maintain and improve the quality of the students' educational experience, without adding substantial student debt, as well as to address the increasing enrollment each year. It is always the University's intent to keep student fees as affordable as possible, while balancing the needs of the University. The University continues to be the low-cost provider of quality four-year education in the state of Oklahoma. It is the University's expectation to continue to make the University an affordable option for its students.

**Langston University**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

	<u>University</u>		<u>Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 16,426,654	\$ 15,677,382	\$ 1,862,929	\$ 1,804,544
Restricted cash and cash equivalents	8,550,896	5,558,319	-	-
Investments	968,282	994,802	-	-
Restricted investments	691,089	730,809	-	-
Accounts receivable, net	2,744,146	1,915,563	336,813	302,241
Contracts and grants receivable	4,524,519	5,785,705	-	-
Other assets	-	-	14,553	1,739
Funds held for the benefit of the University	323,321	345,248	-	-
Interest receivable	94,585	32,449	-	-
Student loans receivable, net	1,187	1,187	-	-
	<u>34,324,679</u>	<u>31,041,464</u>	<u>2,214,295</u>	<u>2,108,524</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	960,061	960,061	-	-
Investments	-	-	2,327,282	2,133,536
Restricted investments	759,110	759,110	-	-
Restricted net OPEB asset	367,797	214,969	-	-
Funds held by OSRHE for the benefit of the University	46,929,327	41,061,291	-	-
Accounts receivable, net	-	-	400,423	457,343
Capital assets, net	89,112,475	92,130,885	13,019	-
	<u>138,128,770</u>	<u>135,126,316</u>	<u>2,740,724</u>	<u>2,590,879</u>
Total assets	<u>172,453,449</u>	<u>166,167,780</u>	<u>4,955,019</u>	<u>4,699,403</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to OPEB	219,726	142,876	-	-
Deferred outflows related to pensions	10,363,126	6,808,603	-	-
	<u>10,582,852</u>	<u>6,951,479</u>	<u>-</u>	<u>-</u>

**Langston University**  
**Statements of Net Position, continued**  
**June 30, 2019 and 2018**

	<u>University</u>		<u>Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 4,781,929	\$ 4,256,870	\$ 38,338	\$ 15,105
Accrued liabilities	775,973	962,734	-	-
Accrued losses	3,471,498	2,200,000	-	-
Other current liabilities	301,343	314,450	-	-
Unearned revenues	2,687,763	577,238	-	-
Accrued compensated absences	451,314	471,735	-	-
Accrued interest payable	101,867	-	-	-
Current portion of noncurrent liabilities	2,687,946	3,698,739	-	-
Total current liabilities	<u>15,259,633</u>	<u>12,481,766</u>	<u>38,338</u>	<u>15,105</u>
<b>Noncurrent Liabilities, Net of Current Portion</b>				
Unearned revenues	47,500	142,500	-	-
Accrued compensated absences	1,353,942	1,415,204	-	-
Total OPEB liability	1,559,001	3,091,683	-	-
Pension liability	34,995,984	32,343,472	-	-
Capital lease obligations payable to state agencies	39,567,688	42,079,718	-	-
Total noncurrent liabilities	<u>77,524,115</u>	<u>79,072,577</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>92,783,748</u>	<u>91,554,343</u>	<u>38,338</u>	<u>15,105</u>
<b>Deferred Inflows of Resources</b>				
Deferred gain on OCIA lease restructure	564,340	620,680	-	-
Deferred inflows related to OPEB	1,970,431	387,984	-	-
Deferred inflows related to pensions	6,329,744	5,796,305	-	-
Total deferred inflows of resources	<u>8,864,515</u>	<u>6,804,969</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	46,150,001	45,494,248	-	-
Restricted				
Nonexpendable	31,719,171	31,719,171	2,167,651	2,138,025
Expendable				
Scholarships, research, instruction and other	17,564,653	14,379,906	2,664,470	2,393,425
Loans	61,301	84,230	-	-
Capital projects	4,057,615	3,370,194	-	-
OPEB	367,797	214,969	-	-
Unrestricted	<u>(18,532,500)</u>	<u>(20,502,771)</u>	<u>84,560</u>	<u>152,848</u>
Total net position	<u>\$ 81,388,038</u>	<u>\$ 74,759,947</u>	<u>\$ 4,916,681</u>	<u>\$ 4,684,298</u>

**Langston University**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**

	University		Foundation	
	2019	2018	2019	2018
<b>Operating Revenues</b>				
Student tuition and fees, net of scholarship discounts and allowances; 2019 – \$4,742,000, 2018 – \$4,557,000	\$ 8,571,739	\$ 8,946,773	\$ -	\$ -
Federal grants and contracts	10,865,884	12,649,268	-	-
State and local grants and contracts	161,522	131,897	-	-
Nongovernmental grants and contracts	1,028,751	809,336	-	-
Auxiliary enterprise charges				
Housing, net of scholarship discounts and allowances; 2019 – \$2,293,000, 2018 – \$2,351,000	3,668,967	4,687,802	-	-
Food services, net of scholarship discounts and allowances; 2019 – \$1,183,000, 2018 – \$1,130,000	1,988,239	2,347,779	-	-
Athletics	131,295	89,577	-	-
Other	868,848	377,506	-	-
Gifts and contributions	-	-	1,103,541	793,141
Other operating revenues	902,112	465,430	248,198	198,085
Total operating revenues	<u>28,187,357</u>	<u>30,505,368</u>	<u>1,351,739</u>	<u>991,226</u>
<b>Operating Expenses</b>				
Compensation and employee benefits	27,872,470	27,982,240	-	-
Contractual services	12,162,675	8,300,124	-	-
Supplies and materials	2,496,175	1,980,080	-	-
Utilities	2,182,421	2,222,096	-	-
Communications	196,782	205,568	-	-
Other operating expenses	5,810,137	6,998,580	1,086,623	568,168
Repayment of federal funding	1,271,498	2,200,000	-	-
Scholarships and fellowships	3,433,758	3,734,106	162,368	211,410
Depreciation	5,045,621	4,530,896	-	-
Total operating expenses	<u>60,471,537</u>	<u>58,153,690</u>	<u>1,248,991</u>	<u>779,578</u>
<b>Operating Income (Loss)</b>	<u>(32,284,180)</u>	<u>(27,648,322)</u>	<u>102,748</u>	<u>211,648</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	14,233,983	14,294,908	-	-
OTRS on-behalf contributions	1,810,736	1,344,571	-	-
Pass-through grant revenue	7,646,655	7,870,674	-	-
Charter schools program revenue	9,357,988	9,087,811	-	-
Charter schools program expense	(8,948,428)	(8,690,046)	-	-
Investment income	843,791	788,230	129,635	127,955
Other nonoperating revenues	2,413,178	7,348	-	-
Gain on endowment investments	9,187,038	2,905,517	-	-
Interest expense	(1,475,317)	(1,613,828)	-	-
Total nonoperating revenues (expenses)	<u>35,069,624</u>	<u>25,995,185</u>	<u>129,635</u>	<u>127,955</u>

**Langston University**  
**Statements of Revenues, Expenses and Changes in Net Position, continued**  
**Years Ended June 30, 2019 and 2018**

	<u>University</u>		<u>Foundation</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Gain (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	\$ 2,785,444	\$ (1,653,137)	\$ 232,383	\$ 339,603
<b>Other Revenues, Expenses, Gains and Losses</b>				
State appropriations restricted for capital purposes	1,942,329	2,172,354	-	-
OCIA on-behalf payments	<u>1,900,318</u>	<u>1,915,055</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	6,628,091	2,434,272	232,383	339,603
<b>Net Position, Beginning of Year</b>	<u>74,759,947</u>	<u>72,325,675</u>	<u>4,684,298</u>	<u>4,344,695</u>
<b>Net Position, End of Year</b>	<u><u>\$ 81,388,038</u></u>	<u><u>\$ 74,759,947</u></u>	<u><u>\$ 4,916,681</u></u>	<u><u>\$ 4,684,298</u></u>



**Langston University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Tuition and fees	\$ 8,142,115	\$ 8,677,627
Grants and contracts	15,453,972	11,168,867
Auxiliary enterprise charges	6,137,286	7,526,220
Other operating receipts	902,112	465,430
Payments to employees for salaries and benefits	(26,878,663)	(26,409,632)
Payments for scholarships and fellowships	(3,433,758)	(3,734,106)
Payments to suppliers	(22,242,592)	(18,789,908)
	<b>(21,919,528)</b>	<b>(21,095,502)</b>
<b>Net cash used in operating activities</b>		
<b>Noncapital Financing Activities</b>		
Federal grants and contracts	6,751,097	7,333,608
State and local grants and contracts	895,558	934,830
State appropriations	14,233,983	14,294,908
Miscellaneous	409,560	755,349
Proceeds from insurance	2,413,178	-
Distribution of endowment	3,500,000	-
	<b>28,203,376</b>	<b>23,318,695</b>
<b>Net cash provided by noncapital financing activities</b>		
<b>Capital and Related Financing Activities</b>		
Cash paid for capital assets	(2,120,857)	(1,443,467)
Capital appropriations received	1,942,329	2,172,354
Repayments of capital debt and leases	(1,860,834)	(2,209,917)
Interest paid on capital debt and leases	(1,191,461)	(1,370,451)
	<b>(3,230,823)</b>	<b>(2,851,481)</b>
<b>Net cash used in capital and related financing activities</b>		
<b>Investing Activities</b>		
Interest received on investments	688,824	523,420
	<b>688,824</b>	<b>523,420</b>
<b>Net cash provided by investing activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,741,849</b>	<b>(104,868)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>22,195,762</b>	<b>22,300,630</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 25,937,611</b>	<b>\$ 22,195,762</b>

**Langston University**  
**Statements of Cash Flows, continued**  
**Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (32,284,180)	\$ (27,648,322)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	5,045,621	4,530,896
OTRS on-behalf contributions	1,810,736	1,344,571
Net loss on disposal of assets	145,425	80,000
Changes in net assets and liabilities		
Accounts, loans and other receivables	432,603	(2,710,344)
Restricted net OPEB asset	(152,828)	(214,969)
Deferred outflows related to pensions and OPEB	(3,631,373)	5,440,616
Accounts payable and accrued expenses	1,558,017	3,148,700
Unearned revenues	2,015,525	43,122
Deferred inflows related to pensions and OPEB	2,115,886	4,695,927
Pension liability	2,652,512	(10,180,673)
Total OPEB liability	(1,532,682)	330,692
Other current liabilities and student deposits	(13,107)	(12,985)
Compensated absences and pension benefit obligation	(81,683)	57,267
Net cash used in operating activities	<b>\$ (21,919,528)</b>	<b>\$ (21,095,502)</b>
<b>Noncash Investing, Noncapital Financing and Capital and Related Financing Activities</b>		
Principal and interest on capital debt paid by state agency on behalf of the University	<b>\$ 1,900,318</b>	<b>\$ 1,915,055</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Current assets		
Cash and cash equivalents	\$ 16,426,654	\$ 15,677,382
Restricted cash and cash equivalents	8,550,896	5,558,319
Noncurrent assets		
Restricted cash and cash equivalents	960,061	960,061
Total cash and cash equivalents	<b>\$ 25,937,611</b>	<b>\$ 22,195,762</b>

# **Langston University**

## **Notes to Financial Statements**

### **June 30, 2019 and 2018**

#### **Note 1: Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Langston University (the University) is a baccalaureate degree-granting institution established by an act of the Territorial Legislature in 1897. The University's mission is to provide higher education primarily for the people of Oklahoma through academic programs, cultural enrichment, lifelong learning experiences and public service activities.

##### ***Reporting Entity***

The University is one of five institutions of higher education in Oklahoma that comprise part of the Oklahoma Agricultural and Mechanical Colleges, which is a member of the Oklahoma State System of Higher Education, a component unit of the State of Oklahoma (the State), and is included in the comprehensive annual financial report of the State as part of the Higher Education component unit.

The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Board of Regents) has constitutional authority to govern, control and manage the Oklahoma Agricultural and Mechanical Colleges. This authority includes, but is not limited to, the power to designate management and the ability to significantly influence operations; acquire and take title to real and personal property in its name; and appoint or hire all necessary officers, supervisors, instructors and employees for member institutions.

##### ***Langston University Foundation***

Langston University Foundation (the Foundation) is a legally separate, Oklahoma not-for-profit corporation organized for the purpose of receiving and administering gifts intended for the University. Because the restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the University's management believes that presenting the Foundation's financial statements as part of the University reporting entity provides users relevant and timely information about resources available to the University. The Foundation has a June 30 year-end and reports under Financial Accounting Standards Board Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information for these differences. The Foundation prepares separate, stand-alone financial statements that may be obtained by contacting the Foundation's management.

##### ***Financial Statement Presentation***

GASB is the recognized standard setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The University applies all applicable GASB pronouncements.

# Langston University

## Notes to Financial Statements

### June 30, 2019 and 2018

#### ***Basis of Accounting***

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program-specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

#### ***Cash Equivalents***

For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

#### ***Investments***

The University accounts for its investments at fair value based on quoted market prices. Changes in the fair value of investments are reported as a component of investment income in the accompanying statements of revenues, expenses and changes in net position.

#### ***Accounts Receivable***

Accounts receivable consist of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff. Student accounts receivable are carried at the unpaid balance of the original amount billed to students and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Student accounts and loans receivable are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recorded when received. A student account receivable and student loan receivable are considered to be past due if any portion of the balance is outstanding after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income or trade accounts receivable.

# Langston University

## Notes to Financial Statements

### June 30, 2019 and 2018

Accounts receivable also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable also include the distribution from the Oklahoma State Regents for Higher Education (OSRHE) endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority (OCIA) for proceeds from the capital bond improvement program allocated to the University.

#### ***Restricted Cash and Investments***

Cash and investments that are externally restricted to make debt service payments, maintain permanent endowment funds, make long-term student loans, be used for grant purposes or to purchase capital or other noncurrent assets, are classified as restricted assets in the accompanying statements of net position.

#### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year which the expense was incurred.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 40 years for buildings, infrastructure and land improvements and 5 to 15 years for library materials and equipment. Half-year convention is used for the year of acquisition and disposal.

#### ***Capital Asset Impairment***

The University evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

#### ***Unearned Revenues***

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Compensated Absences***

Employee vacation pay is accrued at year-end for financial statement purposes to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. The liability and expense incurred are recorded at year-end as accrued compensated absences in the accompanying statements of net position and as a component of compensation and benefit expense in the accompanying statements of revenues, expenses and changes in net position.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

***Noncurrent Liabilities***

Noncurrent liabilities include 1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year and 2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

***Net Position***

The University's net position is classified as follows:

- **Net Investment in Capital Assets** – The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- **Restricted Net Position – Expendable** – Restricted expendable net position include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- **Restricted Net Position – Nonexpendable** – Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained

# Langston University

## Notes to Financial Statements

### June 30, 2019 and 2018

inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

- **Unrestricted Net Position** – Unrestricted net position represents resources derived from student tuition and fees, state appropriations and sales and services of educational departments, auxiliary enterprises and indirect costs from grants and contracts. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

#### **Income Taxes**

As a state institution of higher education, the income of the University is generally exempt from federal income taxes under Section 115(1) of the Internal Revenue Code (IRC), as amended. However, the University may be subject to income taxes on unrelated business income under IRC Section 511(a)(2)(B). Such amounts have historically been insignificant.

#### **Classification of Revenues**

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- **Operating Revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances; 2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; 3) most federal, state and local grants and contracts; and 4) interest on institutional student loans.
- **Nonoperating Revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenue and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

#### **Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the accompanying statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

grants, such as Pell grants, and other federal or state government or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

***Deferred Outflows of Resources***

Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2019 and 2018, the University's deferred outflows of resources were comprised of deferred charges related to pensions and other postemployment benefit (OPEB) plans.

***Deferred Inflows of Resources***

Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2019 and 2018, the University's deferred inflows of resources were comprised of deferred gains related to leases, pensions and OPEB plans.

***Defined Benefit Pension and Other Postemployment Benefit Plans***

The University participates in a cost-sharing, multiple-employer defined benefit pension plan and OPEB plan. The fiduciary net positions of the Oklahoma Teachers Retirement System (OTRS) plans have been determined on the flow of economic resources measurement focus and full accrual basis of accounting.

For purposes of measuring the net pension and OPEB liability, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of OTRS and additions to/deductions from OTRS fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The University also has a single-employer defined benefit retirement plan and an OPEB plan, providing health insurance and life insurance to retirees. For purposes of measuring the pension and OPEB liability, deferred inflows of resources and deferred outflows of resources related to pension and OPEB and pension and OPEB expense have been determined on the same basis as they are reported by the pension and OPEB plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

***Revisions***

Certain immaterial revisions have been made to the 2018 statement of net position for classification of amounts previously reported as current assets and net position. The reclassifications had no effect on previously reported total net position or change in net position.



**Langston University**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

The following line items of the June 30, 2018, statement of net position were revised:

	<b>As Revised</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 15,677,382	\$ 21,217,660	\$ (5,540,278)
Restricted cash and cash equivalents	\$ 5,558,319	\$ 40,349	\$ 5,517,970
Investments	\$ 994,802	\$ 2,484,721	\$ (1,489,919)
Restricted investments	\$ 730,809	\$ -	\$ 730,809
Total current assets	\$ 31,041,464	\$ 31,822,882	\$ (781,418)
<b>Noncurrent assets</b>			
Restricted cash and cash equivalents	\$ 960,061	\$ 937,753	\$ 22,308
Restricted investments	\$ 759,110	\$ -	\$ 759,110
Total noncurrent assets	\$ 135,126,316	\$ 134,344,898	\$ 781,418
<b>Net position</b>			
Nonexpendable	\$ 31,719,171	\$ 30,000,000	\$ 1,719,171
Scholarships, research, instruction and other	\$ 14,379,906	\$ 13,776,995	\$ 602,911
Loans	\$ 84,230	\$ 616,303	\$ (532,073)
Capital projects	\$ 3,370,194	\$ 2,791,865	\$ 578,329
OPEB	\$ 214,969	\$ 36,963	\$ 178,006
Unrestricted	\$ (20,502,771)	\$ (17,956,427)	\$ (2,546,344)

***New Accounting Pronouncements Adopted in Fiscal Year 2019***

The University adopted the following new accounting pronouncements during the year ended June 30, 2019:

***GASB Statement No. 83, Certain Asset Retirement Obligations***

GASB 83 was issued in November 2016, and addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. The University adopted GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The implementation did not have a significant impact on the financial statements.

***GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements***

GASB 88 was issued in March 2018, and provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The University adopted GASB 88 effective July 1, 2018, for the June 30, 2019, reporting year. The implementation did not have a significant impact on the financial statements.

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period***

GASB 89 was issued in June 2018, and directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changes previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The University early implemented GASB 89 in 2019. The implementation did not have a significant impact on the financial statements.

**Note 2: Deposits and Investments**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank or other institution failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. The University deposits its funds with the Office of the State Treasurer (OST). Oklahoma statutes require OST to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

The carrying amount of the University's deposits with the State Treasurer and other financial institutions was as follows as of June 30:

	<b>2019</b>	<b>2018</b>
Deposits with State Treasurer	\$ 25,934,211	\$ 22,192,362
Petty cash and change funds	3,400	3,400
	<b>\$ 25,937,611</b>	<b>\$ 22,195,762</b>

The difference between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in transit.

Of the \$25,934,211 and \$22,192,362 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2019 and 2018, \$24,434,567 and \$15,610,187, respectively, represent amounts held within *OK INVEST*, an internal investment pool. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities that are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities that carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds that participate in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; and (d) investments

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related to tri-party repurchase agreements that are collateralized at 102% and/whereby, the collateral is held by a third party in the name of the State Treasurer.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, the distribution of deposits in *OK INVEST* is as follows:

	<b>2019</b>		<b>2018</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
U.S. agency	\$ 7,570,713	\$ 7,617,655	\$ 7,111,988	\$ 7,077,401
Money market mutual funds	2,431,797	2,431,797	1,523,644	1,523,644
Certificates of deposit	540,250	540,250	586,843	586,843
Mortgage-backed securities	9,818,096	10,022,581	6,166,383	6,148,995
Municipal bonds	43,421	45,337	94,334	96,543
Foreign bonds	101,215	99,662	56,447	56,373
U.S. Treasury bonds	3,929,075	3,980,555	70,548	82,103
	<u>\$ 24,434,567</u>	<u>\$ 24,737,837</u>	<u>\$ 15,610,187</u>	<u>\$ 15,571,902</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests or other reasons.

U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not

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obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer’s Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

#### **Investments**

Investments are recorded at fair value in accordance with U.S. GAAP. The University’s investments are measured and reported at fair value and are classified according to the following hierarchal input levels:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

The University had the following investments at June 30:

Investment Type	Fair Value Hierarchy	Credit Rating	Maturity	2019	2018
Mutual funds	Level 1	Not Rated	N/A	\$ 2,418,481	\$ 2,484,721

- **Interest Rate Risk** – The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- **Credit Risk** – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The University is authorized to invest in obligations of the U.S. government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.
- **Concentration of Credit Risk** – The Board of Regents has authorized short-term funds to be invested in any security currently available through the OST. Generally, these include direct obligations of the U.S. government and its agencies, certificates of deposit and demand deposits. Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investment in a single issuer. Neither the University’s investment policy nor state statutes place limits on amounts that can be invested in any one issuer; however, the State Treasurer Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State’s total funds may be invested in a single security type or with a single financial institution.

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- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Investments held by the counterparty are held in the State’s name for the benefit of the University.

**Note 3: Accounts Receivable**

Accounts receivable relate to tuition and fee charges to students and to auxiliary services provided to students, faculty and staff. Accounts receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Student tuition and fees	\$ 6,950,941	\$ 4,919,262
Auxiliary enterprises and other student activities	7,387,419	3,699,325
	<u>14,338,360</u>	<u>8,618,587</u>
Less allowance for doubtful accounts	<u>(11,594,214)</u>	<u>(6,703,024)</u>
	<u>\$ 2,744,146</u>	<u>\$ 1,915,563</u>

**Note 4: Other Receivables**

Other receivables consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Grants and contracts receivable	\$ 4,524,519	\$ 5,785,705
Interest receivable	94,585	32,449
Loans receivable	<u>1,187</u>	<u>1,187</u>
	<u>\$ 4,620,291</u>	<u>\$ 5,819,341</u>

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**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2019:

	<b>Balance, June 30, 2018</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Balance, June 30, 2019</b>
Capital assets not being depreciated					
Land	\$ 2,546,375	\$ -	\$ -	\$ -	\$ 2,546,375
Artwork	1,550,000	-	-	-	1,550,000
Construction in progress	594,399	31,653	(626,052)	-	-
	<u>4,690,774</u>	<u>31,653</u>	<u>(626,052)</u>	<u>-</u>	<u>4,096,375</u>
Total capital assets not being depreciated					
Other capital assets					
Buildings and improvements	129,466,322	468,660	626,052	(809,800)	129,751,234
Infrastructure	5,005,299	-	-	-	5,005,299
Equipment	18,616,298	1,672,323	-	(6,087,323)	14,201,298
Library materials	4,317,739	-	-	-	4,317,739
	<u>157,405,658</u>	<u>2,140,983</u>	<u>626,052</u>	<u>(6,897,123)</u>	<u>153,275,570</u>
Total other capital assets					
Less accumulated depreciation					
Buildings and improvements	(47,070,388)	(3,417,112)	-	728,821	(49,758,679)
Infrastructure	(2,357,504)	(374,967)	-	-	(2,732,471)
Equipment	(16,219,916)	(1,253,542)	-	6,022,877	(11,450,581)
Library materials	(4,317,739)	-	-	-	(4,317,739)
	<u>(69,965,547)</u>	<u>(5,045,621)</u>	<u>-</u>	<u>6,751,698</u>	<u>(68,259,470)</u>
Total accumulated depreciation					
Capital assets, net	<u>\$ 92,130,885</u>	<u>\$ (2,872,985)</u>	<u>\$ -</u>	<u>\$ (145,425)</u>	<u>\$ 89,112,475</u>

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Following are the changes in capital assets for the year ended June 30, 2018:

	<b>Balance, June 30, 2017</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Balance, June 30, 2018</b>
Capital assets not being depreciated					
Land	\$ 2,546,375	\$ -	\$ -	\$ -	\$ 2,546,375
Artwork	1,550,000	-	-	-	1,550,000
Construction in progress	-	594,399	-	-	594,399
<b>Total capital assets not being depreciated</b>	<b>4,096,375</b>	<b>594,399</b>	<b>-</b>	<b>-</b>	<b>4,690,774</b>
Other capital assets					
Buildings and improvements	129,180,780	413,889	-	(128,347)	129,466,322
Infrastructure	5,005,299	-	-	-	5,005,299
Equipment	18,539,909	405,049	-	(328,660)	18,616,298
Library materials	4,317,739	-	-	-	4,317,739
<b>Total other capital assets</b>	<b>157,043,727</b>	<b>818,938</b>	<b>-</b>	<b>(457,007)</b>	<b>157,405,658</b>
Less accumulated depreciation					
Buildings and improvements	(43,828,974)	(3,292,016)	-	50,602	(47,070,388)
Infrastructure	(1,933,285)	(424,219)	-	-	(2,357,504)
Equipment	(15,731,660)	(814,661)	-	326,405	(16,219,916)
Library materials	(4,317,739)	-	-	-	(4,317,739)
<b>Total accumulated depreciation</b>	<b>(65,811,658)</b>	<b>(4,530,896)</b>	<b>-</b>	<b>377,007</b>	<b>(69,965,547)</b>
<b>Capital assets, net</b>	<b>\$ 95,328,444</b>	<b>\$ (3,117,559)</b>	<b>\$ -</b>	<b>\$ (80,000)</b>	<b>\$ 92,130,885</b>

The University has acquired certain capital assets, including buildings and improvements, under various lease-purchase contracts and other capital lease agreements. The cost of the University's assets held under capital leases totaled \$60,623,823 and \$61,625,437 at June 30, 2019 and 2018, respectively, with accumulated depreciation of \$23,064,915 and \$22,106,949, respectively.

**Note 6: Unearned Revenues**

Unearned revenues consisted of the following at June 30:

	<b>2019</b>	<b>2018</b>
Student tuition and fees	\$ 456,135	\$ 482,238
Grants and contractual agreements	2,279,128	237,500
<b>Total unearned revenues</b>	<b>\$ 2,735,263</b>	<b>\$ 719,738</b>

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In January 2011, the University entered into a contract amendment (contract) with Sodexo Operations, LLC (Sodexo) to provide food service management to the University. As part of this contract, Sodexo agreed to make a financial investment in the University in the form of equipment purchases and full repayment of the previous commitment with Aramark Educational Services, Inc. The overall investment made by Sodexo totaled \$1,600,000, of which \$650,000 of this investment is required to be amortized over a five-year period, with the remaining \$950,000 amortized over ten years. If the University terminates Sodexo's service prior to the complete amortization of the investment, the contract requires that Sodexo be reimbursed for the unamortized portion of the investment. The unamortized portion of this commitment is \$142,500 and \$237,500 at June 30, 2019 and 2018, respectively. There is no stipulation for accrued interest relative to the Sodexo contract.

**Note 7: Noncurrent Liabilities**

Noncurrent liability activity for the year ended June 30, 2019, was as follows:

	<b>Balance, June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2019</b>	<b>Amounts Due Within One Year</b>
Capital lease obligations					
OCIA 2010A Series	\$ 1,145,008	\$ -	\$ (1,145,008)	\$ -	\$ -
OCIA 2014A Series	5,884,823	-	(13,181)	5,871,642	7,125
OCIA 2014B Series	140,505	-	(140,505)	-	-
OCIA 2014C Series	3,375,680	-	(118,580)	3,257,100	143,440
ODFA Master Lease 2014A	4,278,999	-	(473,000)	3,805,999	586,667
ODFA Master Lease 2015A	15,639,250	-	(613,250)	15,026,000	750,166
ODFA Master Lease 2016A	12,324,583	-	(774,584)	11,549,999	955,833
Premium on lease obligation	2,989,609	-	(244,715)	2,744,894	244,715
	<u>45,778,457</u>	<u>-</u>	<u>(3,522,823)</u>	<u>42,255,634</u>	<u>2,687,946</u>
Total capital lease obligations					
Other liabilities					
Accrued compensated absences	1,886,939	769,789	(851,472)	1,805,256	451,314
	<u>1,886,939</u>	<u>769,789</u>	<u>(851,472)</u>	<u>1,805,256</u>	<u>451,314</u>
Total other liabilities					
	<u>1,886,939</u>	<u>769,789</u>	<u>(851,472)</u>	<u>1,805,256</u>	<u>451,314</u>
Total long-term liabilities	<u>\$ 47,665,396</u>	<u>\$ 769,789</u>	<u>\$ (4,374,295)</u>	<u>\$ 44,060,890</u>	<u>\$ 3,139,260</u>



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Noncurrent liability activity for the year ended June 30, 2018, was as follows:

	<b>Balance, June 30, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2018</b>	<b>Amounts Due Within One Year</b>
Capital lease obligations					
OCIA 2010A Series	\$ 2,265,435	\$ -	\$ (1,120,427)	\$ 1,145,008	\$ 1,145,008
OCIA 2014A Series	5,884,823	-	-	5,884,823	13,181
OCIA 2014B Series	275,642	-	(135,137)	140,505	140,505
OCIA 2014C Series	3,490,740	-	(115,060)	3,375,680	118,580
ODFA Master Lease 2011B	234,000	-	(234,000)	-	-
ODFA Master Lease 2014A	4,773,916	-	(494,917)	4,278,999	518,000
ODFA Master Lease 2015A	16,293,583	-	(654,333)	15,639,250	670,833
ODFA Master Lease 2016A	13,151,250	-	(826,667)	12,324,583	847,917
Premium on lease obligation	3,234,324	-	(244,715)	2,989,609	244,715
	<u>49,603,713</u>	<u>-</u>	<u>(3,825,256)</u>	<u>45,778,457</u>	<u>3,698,739</u>
Total capital lease obligations					
Other liabilities					
Accrued compensated absences	1,829,672	1,062,954	(1,005,687)	1,886,939	471,735
	<u>1,829,672</u>	<u>1,062,954</u>	<u>(1,005,687)</u>	<u>1,886,939</u>	<u>471,735</u>
Total other liabilities					
	<u>1,829,672</u>	<u>1,062,954</u>	<u>(1,005,687)</u>	<u>1,886,939</u>	<u>471,735</u>
Total long-term liabilities	<u>\$ 51,433,385</u>	<u>\$ 1,062,954</u>	<u>\$ (4,830,943)</u>	<u>\$ 47,665,396</u>	<u>\$ 4,170,474</u>

**Capital Lease Obligations**

**Oklahoma Capital Improvement Authority Lease Obligations**

In 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the OSRHE allocated approximately \$2,000,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the University to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement will no longer secure the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020.

In 2015, the University's remaining 2004 lease agreement with OCIA was restructured through a refunding. OCIA issued new bonds, Series 2014B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement

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with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of \$63,421 on restructuring as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2019 and 2018, the unamortized gain totaled \$0 and \$13,122, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$104,024, which approximates the economic savings of the transaction.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the OSRHE allocated approximately \$12,481,000 to the University. Total lease payments over the term of the agreement, including principal and interest, beginning July 1, 2006 through July 1, 2030, will be \$21,603,441. Payments will be made annually ranging from \$352,845 to \$1,198,785. Concurrently with the allocation, the University entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University.

In 2011, the University's 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued two new bonds, Series 2010A and 2010B, to accomplish this refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. OCIA issued the new Series 2010A and 2010B bonds to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service requirements. Consequently, the University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring extended certain principal payments into the future, resulting in a cost on the restructuring. The University has recorded a charge totaling \$938,840 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. The deferred outflow has been fully amortized as of June 30, 2016. This restructuring resulted in an aggregate difference in principal and interest between the original lease agreement and the restructured lease agreement of \$50,720, which approximates the economic cost of the transaction.

In 2014, the OCIA restructured the 2005F issue by issuing new bonds Series 2014A. This restructuring was a partial refunding and resulted in a credit of \$350,021 between the remaining liability of Series 2005F and the new liability of Series 2014A. This credit on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2019 and 2018, the unamortized gain, included in deferred inflows of resources, totaled \$237,515 and \$258,945, respectively, and is recognized in interest expense using the effective interest method. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$817,087, which approximates the economic savings of the transaction.

In 2006, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2006D. Of the total bond indebtedness, the State Board of Regents allocated approximately \$5,424,000 to the University. Total lease payments over the term of the agreement, including principal and interest, beginning July 1, 2006 through July 1, 2035, will be \$12,955,724. Payments

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will be made annually ranging from \$71,278 to \$1,550,689, by the State on behalf of the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for University capital improvements.

In 2015, the University's remaining 2006D lease agreement with OCIA was restructured through a refunding. OCIA issued new bonds, Series 2014C, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of \$430,320 on restructuring as a deferred inflow of resources that will be amortized into interest expense using the effective interest method over a period of five years. As of June 30, 2019 and 2018, the unamortized gain totaled \$326,825 and \$348,613, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$2,610,019, which approximates the economic savings of the transaction.

Lease payments to OCIA totaling \$1,900,318 and \$1,915,055 during the years ended June 30, 2019 and 2018, respectively, were made by the State on behalf of the University. These payments have been recorded as OCIA on-behalf payments in the accompanying statements of revenues, expenses and changes in net position.

**Oklahoma Development Finance Authority Lease Obligation**

In 2002, the University entered into a capital lease obligation for the Oklahoma Development Finance Authority (ODFA) Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2002C in the amount of \$2,910,000. Total lease payments over the term of the agreement, beginning June 1, 2003 through December 1, 2018, will be \$4,031,199. Payments will be made monthly ranging from \$5,687 to \$255,688. Proceeds from the obligation will be used for the installation of equipment for energy conservation.

In 2012, the University's 2002C lease agreement with ODFA was advance refunded through the liquidation of reserve funds being held relative to the lease program and issuance of the 2011B ODFA Master Equipment Lease Refunding Bonds. Total lease payments over the term of the agreement, beginning November 15, 2012 through May 15, 2018, will be \$1,544,566. Payments will be made monthly ranging from \$10,410 to \$20,650. Under the 2011B Series, lease payments made by the University are forwarded to the trustee's bank by the OSRHE for future principal and interest payments on the master lease bonds. ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In 2014, the University entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2014A in the amount of \$6,325,000, to refund the ODFA Series 2002A and 1999A revenue bonds. Total lease payments over the term of the agreement, beginning March 15, 2014 through May 15, 2027, will be \$7,878,239. Payments will be made monthly ranging from \$34,390 to \$60,683.

In 2016, the University entered into a capital lease obligation for the ODFA Master Lease Series 2015A in the amount of \$17,509,000, to refund the LEDA Revenue Bonds Series 2005A. Total

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lease payments over the term of the agreement, beginning August 15, 2015 through May 15, 2035, will be \$26,292,148. Payments will be made monthly ranging from \$109,649 to \$115,556.

In 2016, the University entered into a capital lease obligation for the ODFA Master Lease Series 2016A in the amount of \$14,240,000, to refund the LEDA Revenue Bonds Series 2006A. Total lease payments over the term of the agreement, beginning March 15, 2016 through May 15, 2030, will be \$18,982,765. Payments will be made monthly ranging from \$110,197 to \$120,063.

Future minimum lease payments under all capital lease obligations are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 2,443,232	\$ 1,735,270	\$ 4,178,502
2021	2,337,451	1,557,985	3,895,436
2022	2,423,763	1,469,676	3,893,439
2023	3,013,723	1,399,656	4,413,379
2024	2,892,777	1,266,603	4,159,380
2025–2029	15,473,147	4,389,585	19,862,732
2030–2034	9,492,284	1,324,628	10,816,912
2035	1,434,363	53,854	1,488,217
	<u>\$ 39,510,740</u>	<u>\$ 13,197,257</u>	<u>\$ 52,707,997</u>

**Note 8: Retirement Plans**

A summary of the University's pensions follows as of and for the years ended June 30:

	<b>Pension Liability</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Pension Expense (Benefit)</b>
<b>2019</b>				
Supplemental retirement plan	\$ 598,653	\$ -	\$ -	\$ 216,668
OTRS pension liability	<u>34,397,331</u>	<u>10,363,126</u>	<u>6,329,744</u>	<u>3,397,790</u>
Total	<u>\$ 34,995,984</u>	<u>\$ 10,363,126</u>	<u>\$ 6,329,744</u>	<u>\$ 3,614,458</u>
<b>2018</b>				
Supplemental retirement plan	\$ 424,996	\$ -	\$ -	\$ (13,034)
OTRS pension liability	<u>31,918,476</u>	<u>6,808,603</u>	<u>5,796,305</u>	<u>3,180,788</u>
Total	<u>\$ 32,343,472</u>	<u>\$ 6,808,603</u>	<u>\$ 5,796,305</u>	<u>\$ 3,167,754</u>

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**Oklahoma Teachers' Retirement System**

**Plan Description** – The University, as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the OTRS. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

**Benefits Provided** – OTRS provides retirement, disability and death benefits to members of the plan. Benefit provisions include:

- Members who joined OTRS after July 1, 1991, become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who join OTRS on or after November 1, 2017, become fully vested after seven years of credited service. Members who joined OTRS on June 30, 1992, or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

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- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under IRC Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, OTRS remits between \$100 and \$105 per month per eligible retiree to the Employees Group Insurance Division (EGID), depending on the members' years of service during 2019 and 2018.

**Contributions** – The contributions requirements of the plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% of their annual pay. Participating employers are required to contribute 8.55% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds.

Contributions to the pension plan from the University were \$2,129,283 and \$2,100,368 for the years ended June 30, 2019 and 2018, respectively. The State of Oklahoma also made on-behalf contributions to OTRS totaling \$1,810,736 and \$1,344,571 for the years ended June 30, 2019 and 2018, respectively. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** – At June 30, 2019 and 2018, the University reported a liability of \$34,397,331 and \$31,918,476, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017. The University's proportion of the net pension liability was based on the University's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2019 and 2018. Based upon this information, the University's proportion for June 30, 2018 and 2017, was 0.5691% and 0.4821%, respectively. For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$3,397,790 and \$3,180,788, respectively.

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At June 30, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2019</b>		
Difference between expected and actual experience	\$ -	\$ 2,377,729
Change of assumptions	3,224,625	1,761,816
Net difference between projected and actual earnings on pension plan investments	-	597,935
Changes in proportion	4,985,649	1,179,311
Difference between University contributions and proportionate share of contributions	23,569	412,953
University benefit payments subsequent to the measurement date	<u>2,129,283</u>	<u>-</u>
Total	<u>\$ 10,363,126</u>	<u>\$ 6,329,744</u>
<b>2018</b>		
Difference between expected and actual experience	\$ -	\$ 2,179,159
Change of assumptions	3,787,845	1,908,027
Net difference between projected and actual earnings on pension plan investments	453,708	-
Changes in proportion	432,496	1,553,012
Difference between University contributions and proportionate share of contributions	34,186	156,107
University benefit payments subsequent to the measurement date	<u>2,100,368</u>	<u>-</u>
Total	<u>\$ 6,808,603</u>	<u>\$ 5,796,305</u>

The amounts of \$2,129,283 and \$2,100,368, which are reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions at June 30, 2019, will be recognized in pension expense as follows:

2020	\$ 1,747,455
2021	1,008,746
2022	(1,012,145)
2023	(179,642)
2024	<u>339,685</u>
	<u>\$ 1,904,099</u>

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**Actuarial Assumptions** – The total pension liability as of June 30, 2019 and 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 and 2017, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age – Experience-based table of rates based on age, service and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP-2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Best estimates of arithmetic real rates of return for each major asset class included in the plan’s target asset allocation as of June 30, 2019 and 2018, are summarized below:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate**	9.0%	4.5%
Alternative assets	10.0%	6.1%
Total	<u>100.0%</u>	

\*\*The real estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value-Added Real Estate (unlevered)



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**Discount Rate** – A single discount rate of 7.5% was used to measure the total pension liability as of June 30, 2019 and 2018. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.5%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the employers calculated using the discount rate of 7.5% for 2019 as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
<b>2019</b>			
Employers’ net pension liability	\$ 48,910,936	\$ 34,397,331	\$ 22,246,994

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OTRS, which can be located at [www.ok.gov/TRS](http://www.ok.gov/TRS).

**Supplemental Retirement Plan**

**Plan Description** – The Supplemental Retirement Plan is a single-employer, defined benefit pension plan administered by the University. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years’ earnings, the University pays the balance from the current year’s operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The plan does not issue a separate financial report, nor is it included in the financial report of another entity.

**Funding Policy** – The University made benefit payments of \$43,011 and \$40,611 for the fiscal years ended June 30, 2019 and 2018, respectively. This plan is on a pay-as-you-go basis.

**Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** – The University reported a liability of \$598,653 and \$424,996 at June 30, 2019 and 2018, respectively, for its net pension liability. The pension liability was measured as of June 30, 2019 and 2018, with an actuarial valuation as of June 30, 2019 and 2018, respectively.

The University recognized pension (benefit) expense of \$216,668 and \$(13,034) for the years ended June 30, 2019 and 2018, respectively.

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**Schedule of Changes in Total Pension Liability** – The University’s changes in total pension liability are as follows as of June 30:

	<b>2019</b>	<b>2018</b>
Beginning total pension liability	\$ 424,996	\$ 478,641
Interest	15,655	14,599
Change of assumptions	210,473	(27,394)
Difference between actual and expected experience	(9,460)	(239)
Benefit payments	(43,011)	(40,611)
Ending total pension liability	\$ 598,653	\$ 424,996

**Actuarial Assumptions** – The total pension liability as of June 30, 2019 and 2018, was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Amortization Method – 8-year closed amortization period (2019); Level Percentage of Payroll (2018)
- Discount Rate – 3.51% (2019) and 3.88% (2018) (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2014 with fully generational improvements from 2006 based on assumptions from Scale MP2018 (2019); RP-2000 Combined Mortality Table projected to 2020 (2018)

**Sensitivity of the Total Pension Liability to Change in the Discount Rate** – The following presents the total pension liability of the employers calculated using the discount rate, as well as what the plan’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (2.51%)</b>	<b>Current Discount Rate (3.51%)</b>	<b>1% Increase (4.51%)</b>
<b>2019</b>			
Employers’ total pension liability	\$ 653,447	\$ 598,653	\$ 550,965

**Defined Contribution Plans**

University employees may voluntarily contribute, on a pre-tax basis, to the OSU/A&M Voluntary 403(b) Retirement Plan and/or the OSU/A&M Voluntary 457(b) Deferred Compensation Retirement Plan and also, on a post-tax basis, to the 403(b) plan, which are all managed by TIAA; however, such contributions are not considered part of the University’s retirement program. The

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University does not make any contributions to these plans. All contributions are fully vested immediately.

**Note 9: Other Postemployment Insurance Benefits**

**Summary of Net OPEB Obligation**

	<b>OPEB Obligation (Asset)</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>OPEB Expense (Benefit)</b>
<b>2019</b>				
Health and Death Benefit Plan	\$ 1,559,001	\$ 191,253	\$ 1,707,636	\$ (41,180)
OTRS OPEB Plan	<u>(367,797)</u>	<u>28,473</u>	<u>262,795</u>	<u>(48,800)</u>
Total	<u>\$ 1,191,204</u>	<u>\$ 219,726</u>	<u>\$ 1,970,431</u>	<u>\$ (89,980)</u>
<b>2018</b>				
Health and Death Benefit Plan	\$ 3,091,683	\$ 109,526	\$ 209,978	\$ 435,912
OTRS OPEB Plan	<u>(214,969)</u>	<u>33,350</u>	<u>178,006</u>	<u>(8,405)</u>
Total	<u>\$ 2,876,714</u>	<u>\$ 142,876</u>	<u>\$ 387,984</u>	<u>\$ 427,507</u>

**OTRS OPEB Plan**

**Plan Description** – The University, as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O.S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at [www.ok.gov/TRS](http://www.ok.gov/TRS).

**Benefits Provided** – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer-provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to Oklahoma State University Human Resources, provided the member has 10 years of Oklahoma service prior to retirement.

**Contributions** – Employer and employee contributions are made based upon the OTRS plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in *Note 8*; from this amount, OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 1.56% of normal cost, as determined by an actuarial valuation.

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Contributions allocated to the OPEB plan from the University were \$14,362 and \$33,350 for the years ended June 30, 2019 and 2018, respectively.

**OPEB Liabilities (Assets), OPEB Benefit, and Deferred Outflows and Inflows of Resources Related to OPEB** – At June 30, 2019 and 2018, the University reported an asset of \$367,797 and \$214,969, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018 and 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively. The University’s proportion of the net OPEB asset was based on the University’s contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2018. Based upon this information, the University’s proportion was 0.5691% and 0.4821% as of June 30, 2019 and 2018, respectively.

For the years ended June 30, 2019 and 2018, the University recognized OPEB benefit of \$(48,800) and \$(8,405), respectively.

At June 30, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2019</b>		
Difference between expected and actual experience	\$ -	\$ 102,489
Net difference between projected and actual earnings on OPEB plan investments	-	152,375
Differences between University contributions and proportionate share of contributions	14,111	7,931
University contributions subsequent to the measurement date	<u>14,362</u>	<u>-</u>
Total	<u>\$ 28,473</u>	<u>\$ 262,795</u>
<b>2018</b>		
Difference between expected and actual experience	\$ -	\$ 57,700
Net difference between projected and actual earnings on OPEB plan investments	-	117,911
Differences between University contributions and proportionate share of contributions	-	2,395
University contributions subsequent to the measurement date	<u>33,350</u>	<u>-</u>
Total	<u>\$ 33,350</u>	<u>\$ 178,006</u>

The \$14,362 and \$33,350 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date for June 30, 2019 and 2018, respectively, will be recognized as a reduction of the net OPEB liability (asset) in the years ended

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June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (67,183)
2021	(67,183)
2022	(67,183)
2023	(32,381)
2024	(12,551)
Thereafter	<u>(2,203)</u>
	<u>\$ (248,684)</u>

**Actuarial Assumptions** – The total OPEB liability (asset) as of June 30, 2019 and 2018, was determined based on an actuarial valuation prepared as of June 30, 2018 and 2017, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age – Experience-based table of rates based on age, service and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ended June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP-2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

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Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2019 and 2018, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.5%	7.5%
International equity	19.0%	8.5%
Fixed income	23.5%	2.5%
Real estate**	9.0%	4.5%
Alternative assets	10.0%	6.1%
Total	<u>100.0%</u>	

\*\*The real estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value-Added Real Estate (unlevered)

**Discount Rate** – A single discount rate of 7.5% was used to measure the total OPEB liability (asset) as of June 30, 2019 and 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.5%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5% for 2019, as well as what the plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
<b>2019</b>			
Employers' net OPEB liability (asset)	\$ (129,177)	\$ (367,797)	\$ (571,692)

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**Pension Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of the OTRS, which can be located at [www.ok.gov/TRS](http://www.ok.gov/TRS).

**Health and Death Benefit Plan**

**Plan Description** – The University’s defined benefit OPEB plan, Health and Death Benefit Plan, provides OPEB to eligible retirees and their dependents. The College’s Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in GASB 75, Paragraph 4.

**Benefits Provided** – The University provides medical benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This Plan allows employees who retire from the University to continue to be covered under the University’s Health Insurance Plan until age 65. The retired participant must pay the active participant’s premium. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the University. The University also pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must meet the OTRS guidelines. In addition, the individual must also have been enrolled in the University’s life insurance program prior to retirement. Each retiree is eligible to receive \$8,000 in life insurance coverage.

**Employees Covered by Benefit Terms** – At June 30, the following employees were covered by the benefit terms:

	<b>2019</b>	<b>2018</b>
Active employees (participants)	328	331
Retired participants (health benefits)*	5	-
Retired participants (death benefits)	197	206
Total	530	537

\*All retirees with health benefits also have death benefits

**Total OPEB Liability** – The University’s total OPEB liability of \$1,559,001 and \$3,091,683 at June 30, 2019 and 2018, respectively, was measured as of June 30, 2019 and 2018, respectively, and was determined by an actuarial valuation as of those dates.

**Actuarial Assumptions** – The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 3.51% and 3.88% for 2019 and 2018, respectively, based on published Bond Pay GO-20 bond index

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- Retirement Age – 63 for 2018; based on OTRS actuarial valuation for 2019
- Health care cost trend rates – Level 5.00% per year for 2018 and 8.00% decreasing 0.50% annually to an ultimate rate of 4.50% for 2019
- Mortality Rates – RPA-2000 Mortality Table projected to 2020 for 2018 and SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 for 2019
- Pre-Retirement Termination – Table T-3 of the Actuary’s Pension Handbook for 2018 and the OTRS actuarial valuation study as of June 30, 2016, for 2019

**Changes in Total OPEB Liability** – The following table reports the components of changes in total OPEB liability:

	<b>2019</b>	<b>2018</b>
Beginning total OPEB liability	\$ 3,091,683	\$ 2,760,991
Service cost	26,808	361,072
Interest	119,545	84,210
Change of assumptions	113,088	(218,072)
Difference between actual and expected experience	(1,716,552)	108,250
Contributions	(75,571)	(4,768)
Ending net OPEB liability	\$ 1,559,001	\$ 3,091,683

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** – The following presents the total OPEB liability of the employers calculated using the discount rate of 3.51% for 2019, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (2.51%)</b>	<b>Current Discount Rate (3.51%)</b>	<b>1% Increase (4.51%)</b>
<b>2019</b>			
Employers’ net OPEB liability	\$ 1,769,098	\$ 1,559,001	\$ 1,385,641



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**Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate** – The following presents the total OPEB liability of the employers calculated using the health care cost trend rate of 8.00% for 2019, as well as what the plan’s total OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
<b>2019</b>			
Employers’ net OPEB liability	\$ 1,538,541	\$ 1,559,001	\$ 1,583,412

**OPEB Expense (Benefit)** – For the years ended June 30, 2019 and 2018, the University recognized OPEB expense (benefit) of \$(41,180) and \$435,912, respectively. The University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2019</b>		
Differences between expected and actual experience	\$ 90,730	\$ 1,525,824
Change of assumptions	100,523	181,812
Total	\$ 191,253	\$ 1,707,636
<b>2018</b>		
Differences between expected and actual experience	\$ 109,526	\$ 10,036
Change of assumptions	-	199,942
Total	\$ 109,526	\$ 209,978

Amounts reported as net deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2020	\$ (187,533)
2021	(187,533)
2022	(187,533)
2023	(187,533)
2024	(187,533)
Thereafter	(578,718)
	\$ (1,516,383)

**Langston University**  
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**Note 10: Funds Held in Trusts by Others**

***Beneficial Interest in State School Land Funds***

The University has beneficiary interest in the Section Thirteen State Educational Institutions Fund and the New College Fund. The Commissioner of the Land Office of the State of Oklahoma administers these funds as trustee for the benefit of state colleges and universities. The University has the right to receive annually 3.0% of the distributions of income produced by the Section Thirteen State Educational Institutions Fund and 100% of the distributions of income produced by the University's New College Fund. The University received \$1,942,329 and \$2,172,354 during the years ended June 30, 2019 and 2018, respectively, which is restricted to the construction or acquisition of buildings, equipment or other capital items. These amounts are recorded as state appropriations restricted for capital purposes in the accompanying statements of revenues, expenses and changes in net position.

State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the University, held in trust by the Commissioners of the Land Office, was \$41,584,931 and \$39,935,708 at June 30, 2019 and 2018, respectively.

***Oklahoma City Community Foundation, Inc.***

The University is the income beneficiary of certain investments that are owned and managed by the Oklahoma City Community Foundation, Inc., for the University's benefit. These investments totaled approximately \$1,341,000 and \$1,280,000 for the years ended June 30, 2019 and 2018, respectively. Legal title is retained by the Oklahoma City Community Foundation, Inc., and payments are deposited in the Langston University Foundation when they are received.

***Langston University Endowment***

In 1999, the State of Oklahoma began appropriating funds for a special designated endowment fund for the University. The funds are appropriated to the OSRHE for the exclusive benefit of the University. The University has recognized its rights to these assets, held by the OSRHE as agent for the University, under the caption of funds held for the benefit of the University. The distribution of earnings on these funds may be used for any purpose approved by the A&M Board of Regents acting on behalf of the University. The State of Oklahoma committed to making appropriations until \$30,000,000 in endowment appropriations were made. During 2015, the State contributed the final amount of \$879,788 to the University, to fulfill the original \$30,000,000 appropriation.

A difference of opinion in accounting presentation exists between the University and the OSRHE as to whether these funds are an asset of the University or the OSRHE and both entities report the funds as assets. No legal determination has been made and both entities are component units of the State of Oklahoma.

Funds held for the benefit of the University of \$46,929,327 and \$41,061,291 at June 30, 2019 and 2018, respectively, were invested in The Common Fund for Nonprofit Organizations through the OSRHE as a part of its endowment. The University can request and expend up to 4.5% of the

**Langston University**  
**Notes to Financial Statements**  
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balance outstanding for general scholarship use and faculty enrichment or other such uses as approved by the A&M Board of Regents. These amounts have been reflected as funds held for the benefit of the University in the accompanying statements of net position. As of June 30, 2019 and 2018, the available distribution to the University from OSRHE amounted to \$1,927,597 and \$3,554,886, respectively.

***Endowed Chairs Program***

The University participates in the State Regents Endowed Chairs Program. In connection with this, the State of Oklahoma has matched contributions received under the Endowed Chairs Program. The state-match amounts plus retained accumulated earnings totaled approximately \$3,916,000 and \$3,185,000 for June 30, 2019 and 2018, respectively, and is invested by OSRHE on behalf of the University. The University is entitled to receive an annual distribution of 4.5% of the market value at year-end on these funds. Legal title of these endowment funds is retained by the OSRHE; only the funds available for distribution, approximately \$323,000 and \$345,000 at June 30, 2019 and 2018, respectively, have been reflected as assets in the accompanying statements of net position.

**Note 11: Commitments and Contingencies**

The University participates in a number of other federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the University that the amount, if any, would not be significant.

The University received an audit by the United States Department of Agriculture (USDA) with reference to the use of funds provided by the USDA through multi-year Evans Allen and Extension grants. The audit was finalized on September 16, 2019. The final report contains the specific findings of monetary liability being required to be repaid to the USDA by the University. The total of those claims is \$3,471,498 and the University has recorded a liability of this amount as of June 30, 2019.

***Risk Management***

The University is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, workers' compensation and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays an annual premium to the pools for its torts, property and workers' compensation

**Langston University**  
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insurance coverage. The Oklahoma Risk Management Pool's (the Pool) governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

**Note 12: Langston University Foundation**

The following are significant disclosures of the Foundation:

***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, and is reported net of any investment fees.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the Foundation's statement of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

***Net Assets with Donor Restriction***

Net assets with donor restriction are those assets whose use by the Foundation has been limited by donors to a specific time period or purpose. Some amounts have been restricted by donors to be maintained by the Foundation in perpetuity.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restriction. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets is updated in the accompanying statements of activities as net assets released from restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

**Langston University**  
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**Contributed Services**

Contributed services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributed services also include services received from personnel of an affiliate. Contributed services received from personnel of an affiliate are recorded at the cost incurred by the affiliate. See the *Related-Party Transactions* section below for additional details.

**Income Taxes**

The Foundation is exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2014.

**Investments and Investment Return**

Investments are made in conformity with the objectives and guidelines of the Foundation's Board of Directors. The investments are stated at fair value.

The Foundation's investments were as follows as of June 30:

	<b>2019</b>	<b>2018</b>
Equity mutual funds	\$ 1,310,476	\$ 1,328,179
Fixed income mutual funds	787,340	586,199
Other mutual funds	190,600	182,566
Real estate mutual funds	38,866	36,592
	<u>\$ 2,327,282</u>	<u>\$ 2,133,536</u>

Investment income is comprised of the following for the years ended June 30:

	<b>2019</b>	<b>2018</b>
Dividend and interest income	\$ 53,764	\$ 46,836
Net realized and unrealized gain on investments reported at fair value	90,512	94,780
Investment fees	(14,641)	(13,661)
	<u>\$ 129,635</u>	<u>\$ 127,955</u>

**Langston University**  
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**Contributions Receivable**

A discount rate of 5% is applied to balances to be received after one year. At June 30, 2019, approximately 65% of the net contributions receivable are from a single donor of the Foundation. At June 30, 2018, approximately 84% of the net contributions receivable were from a single donor of the Foundation.

Contributions receivable consisted of the following at June 30:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>2019</b>			
Due within one year	\$ 46,345	\$ 316,861	\$ 363,206
Due within one to five years	-	450,000	450,000
	46,345	766,861	813,206
Unamortized discount	-	(48,204)	(48,204)
Allowance for uncollectible	(26,393)	(1,373)	(27,766)
	\$ 19,952	\$ 717,284	\$ 737,236
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>2018</b>			
Due within one year	\$ -	\$ 302,241	\$ 302,241
Due within one to five years	-	500,000	500,000
	-	802,241	802,241
Unamortized discount	-	(42,657)	(42,657)
	\$ -	\$ 759,584	\$ 759,584

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**Restricted Net Position**

Expendable net position is available for the following purposes or periods at June 30:

<b>2019</b>	
Scholarships	\$ 1,494,449
Schools, colleges and departments	115,865
Athletics	50,749
Unappropriated endowment earnings	798,128
Grants	180,395
Other programs and causes	<u>24,884</u>
	<u>\$ 2,664,470</u>
<b>2018</b>	
Scholarships	\$ 1,088,252
Schools, colleges and departments	511,795
Athletics	69,799
Unappropriated endowment earnings	661,969
Grants	26,568
Other programs and causes	<u>35,042</u>
	<u>\$ 2,393,425</u>

**Endowment**

The Foundation’s endowment consists of approximately 20 funds established for a variety of purposes and a gift to the University that was subsequently transferred to the Foundation and established as an endowment fund to participate in OSRHE’s endowment matching program. The program was initiated by the OSRHE to establish faculty chairs and professorships at institutions in the Oklahoma State System of Higher Education. For universities to be eligible to participate in the program, they are required to maintain a specified minimum amount of funds in perpetuity for a specific endowed professorship chair. As required by U.S. GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation’s governing body has interpreted the *State of Oklahoma Prudent Management of Institutional Funds Act* (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as nonexpendable net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as restricted for specific purposes net assets until those amounts are appropriated for

**Langston University**  
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expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net position in the endowment fund at June 30 was:

	<b>Restricted</b>	<b>Nonexpendable</b>	<b>Total</b>
<b>2019</b>			
Donor-restricted endowment funds	\$ -	\$ 2,167,651	\$ 2,167,651
Available for appropriation	798,128	-	798,128
Total endowment funds	\$ 798,128	\$ 2,167,651	\$ 2,965,779
	<b>Restricted</b>	<b>Nonexpendable</b>	<b>Total</b>
<b>2018</b>			
Donor-restricted endowment funds	\$ -	\$ 2,138,025	\$ 2,138,025
Available for appropriation	661,969	-	661,969
Total endowment funds	\$ 661,969	\$ 2,138,025	\$ 2,799,994



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**Notes to Financial Statements**  
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Changes in endowment net position for the years ended June 30 were:

	<u>Restricted</u>	<u>Nonexpendable</u>	<u>Total</u>
<b>2019</b>			
Endowment net assets, beginning of year	\$ 661,969	\$ 2,138,025	\$ 2,799,994
Investment return			
Investment income, net of fees	34,004	-	34,004
Net appreciation	75,435	-	75,435
Total investment return	109,439	-	109,439
Contributions	8,990	47,356	56,346
Reclassification of restrictions	17,730	(17,730)	-
Endowment net assets, end of year	<u>\$ 798,128</u>	<u>\$ 2,167,651</u>	<u>\$ 2,965,779</u>
<b>2018</b>			
Endowment net assets, beginning of year	\$ 558,510	\$ 1,980,234	\$ 2,538,744
Investment return			
Investment income, net of fees	15,881	-	15,881
Net appreciation	104,234	-	104,234
Scholarships and awards	(34,400)	-	(34,400)
Total investment return	85,715	-	85,715
Contributions	17,744	157,791	175,535
Endowment net assets, end of year	<u>\$ 661,969</u>	<u>\$ 2,138,025</u>	<u>\$ 2,799,994</u>

Nonexpendable endowment fund assets are included in investments – endowment, cash, land and contributions receivable, net restricted for long-term purposes line items in the Foundation’s statements of financial position. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net position and, as of June 30, 2019 and 2018, the Foundation had no deficiencies reported in unrestricted net position.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for

# Langston University

## Notes to Financial Statements

### June 30, 2019 and 2018

donor-specified periods. Under the Foundation's policies, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce results that exceed 5% of the average market value of the preceding three fiscal years while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year a rate of 5%, with an absolute maximum of 5% of the endowment fund's average market value as of the preceding three fiscal year-ends. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow comparable to the benchmarks outlined in the investment policy. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. In 2019 and 2018, the Foundation did not appropriate any endowment funds as provided by the above described spending policy.

#### ***Related-Party Transactions***

The Foundation engages in various related-party transactions with the University.

The Foundation appropriates program receipts and designated contributions from donors to the University or directly to students of the University. For the years ended June 30, 2019 and 2018, the Foundation disbursed \$744,000 and \$363,945, respectively, to the University or directly to students of the University for student scholarships and various university departments.

The Foundation adopted ASU 2013-06, *Services Received from Personnel of an Affiliate*, which requires recognition of personnel services received from an affiliate for which the organization was not charged. The Foundation received contributed personnel services from the University of approximately \$144,000 and \$131,000 for the years ended June 30, 2019 and 2018, respectively. These costs were allocated to management and administrative expenses and development and community relations expenses, in the amounts of \$139,262 and \$4,366 for June 30, 2019, and \$98,500 and \$32,500 for June 30, 2018, respectively. The contributed personnel services are based on an allocation of costs incurred by the University.

#### ***Disclosures About Fair Value of Assets***

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets

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**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

**Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2019</b>				
Equity mutual funds				
Small cap	\$ 76,832	\$ 76,832	\$ -	\$ -
Mid cap	33,250	33,250	-	-
Large cap	1,047,112	1,047,112	-	-
International	153,282	153,282	-	-
Fixed income mutual funds				
Intermediate	519,809	519,809	-	-
International	72,786	72,786	-	-
High yield	47,995	47,995	-	-
Multisector	146,750	146,750	-	-
Other mutual funds				
Market neutral	62,839	62,839	-	-
International	66,416	66,416	-	-
Equity	61,345	61,345	-	-
Real estate mutual funds	38,866	38,866	-	-
Total investments	<u>\$ 2,327,282</u>	<u>\$ 2,327,282</u>	<u>\$ -</u>	<u>\$ -</u>

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	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>2018</b>				
Equity mutual funds				
Small cap	\$ 94,935	\$ 94,935	\$ -	\$ -
Mid cap	280,638	280,638	-	-
Large cap	677,084	677,084	-	-
International	275,522	275,522	-	-
Fixed income mutual funds				
Intermediate	377,068	377,068	-	-
International	77,091	77,091	-	-
High yield	38,913	38,913	-	-
Multisector	93,127	93,127	-	-
Other mutual funds				
Market neutral	53,399	53,399	-	-
International	64,042	64,042	-	-
Equity	65,125	65,125	-	-
Real estate mutual funds	36,592	36,592	-	-
<b>Total investments</b>	<b>\$ 2,133,536</b>	<b>\$ 2,133,536</b>	<b>\$ -</b>	<b>\$ -</b>

## **Required Supplementary Information**

**Langston University**  
**Schedule of the University's Changes in Total Pension Liability**  
**Supplemental Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning total pension liability	\$ 424,996	\$ 478,641	\$ 491,922
Interest	15,655	14,599	17,217
Change of assumptions	210,473	(27,394)	15,189
Difference between actual and expected experience	(9,460)	(239)	(5,076)
Benefit payments	<u>(43,011)</u>	<u>(40,611)</u>	<u>(40,611)</u>
Ending total pension liability	<u>\$ 598,653</u>	<u>\$ 424,996</u>	<u>\$ 478,641</u>

***Note to Schedule***

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Langston University**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**Oklahoma Teachers Retirement System**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University's proportion of the net pension liability	0.5691%	0.4821%	0.5038%	0.4934%	0.5043%
University's proportionate share of the net pension liability	\$ 34,397,331	\$ 31,918,476	\$ 42,045,504	\$ 29,963,383	\$ 27,130,019
University's covered-employee payroll	\$ 20,231,315	\$ 20,596,587	\$ 22,392,779	\$ 22,346,462	\$ 22,922,486
University's proportion of the net pension liability as a percentage of its covered-employee payroll	170%	155%	188%	134%	118%
Plan fiduciary net position as a percentage of the total pension liability	72.74%	69.32%	62.24%	70.31%	72.43%

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Contributions and covered-employee payroll amounts restated for the early implementation of GASB 82.

**Langston University**  
**Schedule of the University's Contributions**  
**Oklahoma Teachers Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,129,283	\$ 2,100,368	\$ 1,827,120	\$ 2,140,401	\$ 2,124,440
Contributions in relation to the contractually required contribution	<u>2,129,283</u>	<u>2,100,368</u>	<u>1,827,120</u>	<u>2,140,401</u>	<u>2,124,440</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 19,643,592	\$ 20,231,315	\$ 20,596,587	\$ 22,392,779	\$ 22,346,462
Contributions as a percentage of covered-employee payroll	10.84%	10.38%	8.87%	9.56%	9.51%

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Benefit Changes**

There were no changes to benefit terms for OTRS for the years ended June 30, 2019, 2018 or 2017.

**Changes of Assumptions**

Actuarial assumptions used in the June 30, 2017, valuation were changed as follows:

- Salary increases were composed of 3.25% inflation, including 2.50%, plus a service-related component ranging from 0.00% to 8.00% based on years of service.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

- Inflation was increased to 2.50%
- Investment Rate of Return was decreased to 7.50%

There were no changes to assumptions in the valuation report for the years ended June 30, 2015 or June 30, 2018.



**Langston University**  
**Schedule of the University's Proportionate Share of the**  
**Net OPEB Liability (Asset)**  
**Supplemental Health Insurance Program**

	<u>2019</u>	<u>2018</u>
University's proportion of the net OPEB liability (asset)	0.5691%	0.4821%
University's proportionate share of the net OPEB liability (asset)	\$ (367,797)	\$ (214,969)
University's covered-employee payroll	\$ 20,231,315	\$ 20,596,587
University's proportion of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.82%	-1.04%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	115.41%	110.40%

***Note to Schedule***

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Langston University**  
**Schedule of the University's Contributions**  
**Supplemental Health Insurance Program**

	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 14,362	\$ 33,350
Contributions in relation to the contractually required contribution	14,362	33,350
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 19,643,592	\$ 20,231,315
Contributions as a percentage of covered-employee payroll	0.07%	0.16%

***Note to Schedule***

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Langston University**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Health and Death Benefit Plan**

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 26,808	\$ 361,072
Interest	119,545	84,210
Change of assumptions	113,088	(218,072)
Difference between actual and expected experience	(1,716,552)	108,250
Contributions	<u>(75,571)</u>	<u>(4,768)</u>
Net change in total OPEB liability	(1,532,682)	330,692
Total OPEB liability, beginning of year	<u>3,091,683</u>	<u>2,760,991</u>
Total OPEB liability, end of year	<u>\$ 1,559,001</u>	<u>\$ 3,091,683</u>
Covered-employee payroll	\$ 16,866,998	\$ 20,231,315
Net OPEB liability (asset) as a percentage of covered-employee payroll	9.24%	15.28%

***Note to Schedule***

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

## **Supplementary Information**

**Langston University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Federal Awards</b>				
<b>U.S. Department of Education</b>				
<i>Student Financial Assistance Cluster</i>				
<b>Office of Student Financial Assistance</b>				
Federal Pell Grant Program	84.063		\$ -	\$ 6,428,943
Federal Supplemental Educational Opportunity Grants	84.007		-	189,323
Federal Work-Study Program	84.033		-	264,648
Federal Direct Student Loans	84.268		-	14,094,127
<i>Total Student Financial Assistance Cluster</i>			-	<u>20,977,041</u>
<i>Other Programs</i>				
<b>Office of Postsecondary Education</b>				
Higher Education – Institutional Aid	84.031	P0131B150004	-	725,570
Higher Education – Institutional Aid	84.031	P0131B150004	-	8,575
Higher Education – Institutional Aid	84.031	P031B120564	-	167,091
Higher Education – Institutional Aid	84.031	P031B120564	-	409,760
Higher Education – Institutional Aid	84.031	P031B120564	-	9,028
Higher Education – Institutional Aid	84.031	P031B120564	-	50,840
Higher Education – Institutional Aid	84.031	P031B120564	-	55,331
Higher Education – Institutional Aid	84.031	P031B120564	-	14,510
Higher Education – Institutional Aid	84.031	P031B120564	-	69,841
Higher Education – Institutional Aid	84.031	P031B170010	-	66,157
Higher Education – Institutional Aid	84.031	P031B170010	-	284,025
Higher Education – Institutional Aid	84.031	P031B170010	-	120,663
Higher Education – Institutional Aid	84.031	P031B170010	-	471,229
Higher Education – Institutional Aid	84.031	P031B170010	-	39,333
Higher Education – Institutional Aid	84.031	P031B170010	-	127,841
Higher Education – Institutional Aid	84.031	P031B170010	-	95,986
Higher Education – Institutional Aid	84.031	P031B170010	-	342,157
Higher Education – Institutional Aid	84.031	P031B170010	-	24,894
Higher Education – Institutional Aid	84.031	P031B170010	-	74,773
Higher Education – Institutional Aid	84.031	P031B170010	-	11,787
Higher Education – Institutional Aid	84.031	P031B170010	-	32,633
Higher Education – Institutional Aid	84.031	P031B170010	-	121,380
Higher Education – Institutional Aid	84.031	P031B170010	-	283,191
Higher Education – Institutional Aid	84.031	P031B090213-12	-	13,000
Higher Education – Institutional Aid	84.031	P031B141023	-	364,731
Higher Education – Institutional Aid	84.031	P0031B100005	-	69,095
<i>Subtotal CFDA 84.031</i>			-	<u>4,053,421</u>
<b>Total U.S. Department of Education</b>			-	<b>25,030,462</b>

**Langston University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Research and Development Cluster</b>				
<i>U.S. Department of Agriculture</i>				
<b>Cooperative State Research, Education and Extension Service</b>				
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2010-33100-08913	\$ -	\$ 764
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI171445XXXXG019	-	586,244
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI181445XXXXG012	-	1,248,886
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2009-33100-08913	-	5,977
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI171445XXXXG019	-	121,570
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI181445XXXXG012	-	83,101
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI181445XXXXG012	-	55,216
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI181445XXXXG012	-	552,682
<i>Subtotal CFDA 10.205</i>			<u>-</u>	<u>2,654,440</u>
1890 Institution Capacity Building Grants	10.216	2014-38821-22446	-	10,838
1890 Institution Capacity Building Grants	10.216	2014-38821-22426	-	19,189
1890 Institution Capacity Building Grants	10.216	2014-38821-224432	-	59,036
1890 Institution Capacity Building Grants	10.216	2014-38821-22416	-	81,511
1890 Institution Capacity Building Grants	10.216	2012-38821-20139	-	6,706
1890 Institution Capacity Building Grants	10.216	2017-38821-26429	57,510	100,471
1890 Institution Capacity Building Grants	10.216	2013-38821-21389	1,548	29,501
1890 Institution Capacity Building Grants	10.216	2015-38821-24392	10,560	130,232
1890 Institution Capacity Building Grants	10.216	2017-38821-26445	-	97,555
1890 Institution Capacity Building Grants	10.216	2017-38821-26428	94,408	158,794
<i>Subtotal CFDA 10.216</i>			<u>164,026</u>	<u>693,833</u>
Agriculture and Food Research Institutive (AFRI)	10.310	2018-67016-27473	-	49,900
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	AWARD #59-2501-16-018	-	101,233
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	AO182501X443G026	-	2,521
<i>Subtotal CFDA 10.443</i>			<u>-</u>	<u>103,754</u>
Cooperative Extension Service	10.500		-	1,228
Cooperative Extension Service	10.500	2016-45100-08913	-	110,470
Cooperative Extension Service	10.500	NI171444XXXXG022	-	299,357
Cooperative Extension Service	10.500	NI181444XXXXG004	-	762,478
Cooperative Extension Service	10.500	2014-45100-08913	-	4,463
Cooperative Extension Service	10.500	NI171444XXXXG022	-	146,184
Cooperative Extension Service	10.500	NI181444XXXXG004	-	333,076
Cooperative Extension Service	10.500	NI171444XXXXG022	-	237,101
Cooperative Extension Service	10.500	NI181444XXXXG004	-	254,806
Cooperative Extension Service	10.500	2014-41510-08913	-	98
Cooperative Extension Service	10.500	2015-41510-08913	-	584
Cooperative Extension Service	10.500	NI17EFNEPXXXG053	-	50,164
Cooperative Extension Service	10.500	NI18EFNEPXXXG062	-	65,942
Cooperative Extension Service	10.500	NI17RREAFXXXG050	-	2,880
Cooperative Extension Service	10.500	NI18RREAFXXXG056	-	13,310
Cooperative Extension Service	10.500	NI19RREADXXXG001	-	4,072
<i>Subtotal CFDA 10.500</i>			<u>-</u>	<u>2,286,213</u>
Scientific Cooperation and Research	10.961	FX17SR-10961R002	-	(8,723)
<b>Total U.S. Department of Agriculture</b>			<u><b>164,026</b></u>	<u><b>5,779,417</b></u>

**Langston University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<i>U.S. Department of Transportation</i>				
University Transportation Centers Program	20.701	Subcontract 2014-31	\$ -	\$ 29,375
<b>Total U.S. Department of Transportation</b>			<b>-</b>	<b>29,375</b>
<i>National Science Foundation</i>				
Social, Behavioral and Economic Sciences	47.075	1745604	-	56,164
Education and Human Resources	47.076	1-556595-LU	-	29,274
Education and Human Resources	47.076	1439848	-	133,249
<i>Subtotal CFDA 47.076</i>			-	162,523
Office of Integrative Activities	47.083	EPSCoR20132/OIA1301789	-	4,483
Office of Integrative Activities	47.083	S19025	-	93,426
<i>Subtotal CFDA 47.083</i>			-	97,909
<b>Total National Science Foundation</b>			<b>-</b>	<b>316,596</b>
<i>U.S. Department of Energy</i>				
Department of Homeland Security ORISE	81.000	DHS ORISE/DEAC0506OR23100		1,831
<b>Total U.S. Department of Energy</b>			<b>-</b>	<b>1,831</b>
<i>U.S. Department of Health and Human Services</i>				
Cancer Centers Support Grants	93.397	1P20CA233391-01	-	12,984
ACL National Institute on Disability, Independent Living and Rehab Research	93.433	90RT5024	247,634	589,881
ACL National Institute on Disability, Independent Living and Rehab Research	93.433	90RTST0001-01-00	1,034	311,580
<i>Subtotal CFDA 93.433</i>			248,668	901,461
Biomedical Research and Research Training	93.859	PO1000854055 ; PO 1000894056	-	43
Biomedical Research and Research Training	93.859	PO1000931510/PO1000931509	-	19,513
<i>Subtotal CFDA 93.859</i>			-	19,556
<b>Total Department of Health and Human Services</b>			<b>248,668</b>	<b>934,001</b>
<b>Total Research and Development Cluster</b>			<b>412,694</b>	<b>7,061,220</b>
<b>National Aeronautics and Space Administration</b>				
Aerospace Education Services Program	43.001	Subcontract No. 2011-32	-	66,909
Education	43.008	Subaward # 2016-68	-	67,340
Education	43.008	2019-18/1-573309_OU	-	1,542
Education	43.008	NNX1 5AP43A	25,636	835,169
<i>Subtotal CFDA 43.008</i>			25,636	904,051
<b>Total National Aeronautics and Space Administration</b>			<b>25,636</b>	<b>970,960</b>

**Langston University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79SP021366	\$ -	\$ 78,496
ACL National Institute on Disability, Independent Living and Rehab Research	93.433	90AR5029-01-00	6,077	153,369
ACL National Institute on Disability, Independent Living and Rehab Research	93.433	90ARST0001-01-00	-	87,451
<i>Subtotal CFDA 93.433</i>			<u>6,077</u>	<u>240,820</u>
PPHF Geriatric Education Centers	93.969	TS2009007104/6D31HP088440201	-	642
<b>Total U.S. Department of Health and Human Services</b>			<b>6,077</b>	<b>319,958</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 444,407</b>	<b>\$ 33,382,600</b>



**Langston University**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

***Notes to Schedule***

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Langston University (the University) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Federal Direct Student Loan balances are not included in the University's financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

**Independent Auditor's Report**

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University  
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Langston University (the University) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2020, which contained a reference to prior year auditors. The financial statements of Langston University Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003 and 2019-004, that we consider to be material weaknesses.

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-005.

### ***The University's Responses to the Findings***

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Tulsa, Oklahoma  
March 4, 2020

## Report on Compliance for Each Major Program and Report on Internal Control over Compliance

### Independent Auditor's Report

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University  
Oklahoma City, Oklahoma

#### Report on Compliance for Each Major Federal Program

We have audited Langston University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for the major federal programs. However, our audit does not provide a legal determination of the University's compliance.

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University

### ***Basis for Qualified Opinion on Research and Development Cluster***

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the Research and Development Cluster, as described in finding number 2019-007 for Period of Performance, 2019-009 for Cash Management and 2019-010 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

### ***Qualified Opinion on Research and Development Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Research and Development Cluster* paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster for the year ended June 30, 2019.

### ***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-006 and 2019-008. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### ***Report on Internal Control over Compliance***

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or

Board of Regents  
Oklahoma Agricultural and Mechanical Colleges  
Langston University

significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-007, 2019-009 and 2019-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-006, to be a significant deficiency.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Tulsa, Oklahoma  
March 4, 2020

**Langston University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

**Summary of Auditor's Results**

**Financial Statements**

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No

**Federal Awards**

4. The independent auditor's report on internal control over compliance for the major federal award programs disclosed:  
 Significant deficiency(ies)?       Yes       None reported  
 Material weakness(es)?       Yes       No
  
5. The opinions expressed in the independent auditor's report on compliance for the major federal award programs were:  
 Unmodified –       Qualified –       Adverse       Disclaimer  
                          Student Financial      Research and  
                          Assistance Cluster      Development Cluster
  
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?       Yes       No
  
7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	Various
Research and Development Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
  
9. The University qualified as a low-risk auditee?       Yes       No

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
2019-001	<p>Criteria or Specific Requirement – The University is responsible for establishing internal controls to ensure financial transactions are recorded timely, reconciliations are performed and reviewed and adjustments are recorded timely in order to ensure financial statements are fairly presented in accordance with U.S. GAAP.</p> <p>Condition – Certain accounts were not reconciled on a regular basis, reconciling items were not addressed in a timely manner, reviews of reconciliations were not being documented, audit adjustments were necessary and four employees had the ability to create and approve journal entries with no review.</p> <p>Effect – Correcting entries were necessary to properly state the University’s cash, receivable and revenue accounts, the University was not timely directing the State regarding which funds deposits should be transferred to, journal entries were created and posted by the same employee with no documented review and detail reconciliations of payroll were not being completed.</p> <p>Cause – The University lacks documented procedures and training for key fiscal processes and significant turnover within the accounting department has resulted in the inability to prepare timely and accurate financial information on a regular basis.</p> <p>Recommendation – The University should improve and document internal control processes around reconciling general ledger accounts on a monthly basis, implement a process to ensure that reconciling items are addressed timely, train personnel as necessary regarding these procedures and implement review processes that ensure documentation of review is occurring.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with Oklahoma State University (OSU) to provide integrated services for the University fiscal office. The University and OSU are in the process of implementing improved internal control processes around reconciliations and adjusting entries in addition to providing training for University staff.</p>



**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-002	<p>Criteria or Specific Requirement – The University is responsible for establishing internal controls to reconcile federal grant projects to minimize the amount of time that cash from federal grant funds are held. The University is also responsible for establishing internal controls to ensure that financial statements are fairly presented in accordance with U.S. GAAP.</p> <p>Condition – The University did not consistently reconcile and monitor grant expenditures prior to drawing grant funds.</p> <p>Effect – Grant funds were drawn prior to grant expenditures being incurred and were not spent within a reasonable timeframe, which created unearned revenue. Significant journal entries were posted to record unearned grant funds and payables for funds drawn that could not be expended.</p> <p>Cause – The University did not have a good process for reconciling grant expenditures and grant revenues. Additionally, there was significant turnover in the financial area, which led to a lack of documentation at times during the year regarding review of journal entry-related grant draws.</p> <p>Recommendation – The University should implement controls specific to the grant draw process to ensure that grant project funds are reconciled and are not drawn prior to incurring or paying the expenditures. In addition, the University should repay funds drawn inappropriately that cannot be expended.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with OSU to provide integrated services for the University fiscal office. The OSU Grants and Contracts Fiscal Administration office is now in charge of the post-award process for grants and has implemented processes and controls at the University that will address and improve past issues, including the draw down process.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-003	<p>Criteria or Specific Requirement – The University is responsible for establishing internal controls related to student accounts receivable, monitoring student accounts and properly recording accounts receivable and revenue for financial statement preparation in accordance with U.S. GAAP.</p> <p>Condition – The general ledger mapping for cash receipts was not accurately designed so that payments were posting to the appropriate accounts, reconciliations were not being reviewed and aging reports were not prepared with the proper parameters; University and collection records did not agree; significant old credit balances were still on student accounts; and journal entries were necessary to properly record student accounts receivable, the related allowance and revenue.</p> <p>Effect – Student accounts receivable has continued to grow and a large allowance has also been recorded. In addition, prior years’ federal student aid that could not be refunded to students was left on student accounts rather than being refunded to the federal government. Significant journal entries were required to accounts receivable and related allowance for the financial statements to be presented in accordance with U.S. GAAP.</p> <p>Cause – The University experienced several retirements in a short timeframe, which contributed to a loss of knowledge regarding institutional policies. Remaining employees lacked training and clear guidance regarding system maintenance.</p> <p>Recommendation – The University should implement controls to prepare and review an accounts receivable aging on a monthly basis. In addition, differences between University and collection balances should be investigated and unrefunded federal student aid should be returned to the federal government.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with OSU to provide integrated services for the University fiscal office. The University and OSU are in the process of implementing improved internal control processes around student accounts receivables including the aging and collections. Additionally, the University and OSU will investigate unrefunded aid to determine amounts due to the federal government.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-004	<p>Criteria or Specific Requirement – The University is responsible for designing and establishing internal controls to ensure financial statements are fairly presented in accordance with U.S. GAAP. This includes segregating duties among employees.</p> <p>Condition – Multiple employees in the cash receipts process have the ability to receive funds, record those funds, adjust student accounts and post credit and billing adjustments to student accounts. In addition, multiple employees in the payroll transactions cycle have the ability to add employees, adjust employee information and process payroll.</p> <p>Effect – Employees have incompatible duties and there are not enough detective controls that are functioning properly to mitigate risk of error or fraud in the financial statements related to these incompatible duties.</p> <p>Cause – The University has had significant turnover in the finance department.</p> <p>Recommendation – The University should review job duties for the employees with incompatible duties and consider reassigning duties or strengthening detective controls.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with OSU to provide integrated services for the University fiscal office. Through this partnership, the University and OSU have already begun to review job duties and ensure that proper segregation of duties are in place. OSU has hired additional employees to assist with integrated services and this allows for proper segregation of duties even with the turnover in the University finance department.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-005	<p>Criteria or Specific Requirement – Management is responsible for compliance with laws and regulations for its federal awards programs.</p> <p>Condition – As a result of a USDA program review, it was determined that the University was charging unallowable costs to two NIFA programs that would need to be repaid. The loss related to the noncompliance is recorded in the financial statements. See <i>Note 11</i> to the financial statements and finding 2019-010 for additional information.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

**Findings Required to be Reported by Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
2019-006	<p>Federal Program – Student Financial Assistance Cluster, Federal Direct Loan Program, CFDA No. 84.268 and Federal Pell Grant Program, CFDA No. 84.063, Award Year 2019</p> <p>Criteria or Specific Requirement – Special Tests and Provisions – Enrollment Reporting – 34 CFR § 690.83(b)(2) and § 685.309</p> <p>Condition – Student status changes were not communicated to the National Student Loan Data System (NSLDS) accurately, in accordance with 34 CFR § 674.19, § 690.83(6)(2) and § 685.309. Additionally, student status change errors between the NSLDS and the University records were not being corrected within the required 15-day timeframe.</p> <p>Questioned Costs – None</p> <p>Context – Out of a population of 1,310 students with enrollment status changes requiring reporting to NSLDS, a sample of 40 students with enrollment status changes was selected for testing. Of those 40 students, nine student status changes were not reported to NSLDS within the required 60 days. Our sample was not, and was not intended to be, statistically valid.</p> <p>Effect – NSLDS was not notified of student enrollment status changes for Direct Loan and Pell Grant recipients in a timely or accurate manner.</p> <p>Cause – The University did not have effective internal control processes in place to ensure the accurate collection, review and reporting of student status changes. Recent turnover in personnel resulted in a lack of oversight and documentation of control environment related to enrollment reporting.</p> <p>Identification as a Repeat Finding, if Applicable – 2018-002</p> <p>Recommendation – The University should implement documented internal control processes specific to the aggregation and evaluation of all student status changes as well as for the roster uploads and subsequent error corrections to ensure proper oversight of these processes so that reporting is timely and accurate.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The Office of the Registrar and Financial Aid office will work together to implement improved processes and controls over student status changes to ensure reporting is timely and accurate.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-007	<p>Federal Program – Research &amp; Development Cluster, Payments to 1890 Land-Grant Colleges and Tuskegee University, CFDA No. 10.205, 1890 Institution Capacity Building Grants, CFDA No. 10.216, Cooperative Extension Service, CFDA No. 10.500</p> <p>Criteria or Specific Requirement – Period of Performance – 2 CFR § 215.71</p> <p>Condition – The University can charge costs to federal awards during the funding period authorized by the federal agency. Obligations are required to be liquidated no later than 90 days after the end of the funding period.</p> <p>Questioned Costs – CFDA 10.500 – \$115, calculated as the amount incurred outside of the grant period.</p> <p>Context – The University did not liquidate obligated funds within the required 90-day time period. In addition, some costs were not obligated during the funding period.</p> <p>Effect – Federal funds were not liquidated within the required time frame and questioned costs resulted from items obligated after the funding period.</p> <p>Cause – The University did not have effective internal control processes in place to monitor grant spending, which resulted in significant funds being obligated at the end of the grant period. Some of these items were not received within 90 days of the end of the funding period. The University did not have controls in place to monitor the subsequent payment of funds to ensure funds were disbursed within the required timeframe.</p> <p>Identification as a Repeat Finding, if Applicable – N/A</p> <p>Recommendation – The University should enhance internal control processes to monitor grant funding periods and implement additional controls to ensure that funds are obligated and liquidated within federal guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. While the University had communications with the federal agency regarding expenditures nearing the project’s end in September 2018, future spend-down activities near or after the project end date will be closely monitored for allowability through the integrated services partnership with OSU. Oversight will include limiting the final month’s expenditures to those costs necessary to finalize the project’s timely completion.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-008	<p>Federal Program – Research &amp; Development Cluster, Award years 2017 and 2018</p> <p>Criteria or Specific Requirement – Allowable Costs – 2 CFR § 200.430(i)</p> <p>Condition – The University is required to implement a system of internal controls that provide reasonable assurance that charges to federal grants are accurate, allowable and reasonable and properly allocated.</p> <p>Questioned Costs – Unknown</p> <p>Context – Time and effort reporting was not completed within the University’s Department of Agriculture for the first quarter of FY 2019. Time and effort reporting was completed for subsequent quarters.</p> <p>Effect – Complete documentation regarding employee time charged to grants was not available.</p> <p>Cause – For the first quarter of FY 2019, the University did not have internal controls for all departments to prepare documentation supporting time and effort for grants.</p> <p>Identification as a Repeat Finding, if Applicable – 2018-005 and 2017-002</p> <p>Recommendation – The University should ensure internal controls related to documenting effort and certification are aligned with Uniform Guidance standards.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with OSU to provide integrated services for the University fiscal office. As part of the integrated services, processes and controls have been developed for effort reporting to meet federal requirements.</p>

**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-009	<p>Federal Program – Research &amp; Development Cluster, Award years 2017 and 2018</p> <p>Criteria or Specific Requirement – Cash Management – 2 CFR § 215.22</p> <p>Condition – The University drew grant funds in excess of immediate cash needs for two grants.</p> <p>Questioned Costs – CFDA No. 10.216 – \$600,352; CFDA Nos. 10.205 and 10.500 – Unknown, calculated as the federal awards were drawn down but remained unspent as of the end of the fiscal year.</p> <p>Context – Out of a population of 28 grant draws, a sample of six was selected for testing. For two of those draws, funds were still unspent ten days after the draw. Our sample was not, and was not intended to be, statistically valid.</p> <p>Effect – The University did not minimize the time elapsing from the time the federal funds were drawn down to the time they were expended.</p> <p>Cause – The University did not have a good control process in place to monitor grant disbursements and ensure that grant funds were not drawn in excess of immediate cash needs.</p> <p>Identification as a Repeat Finding, if Applicable – N/A</p> <p>Recommendation – The University should implement controls specific to the grant draw process to ensure that grant project funds are reconciled and are not drawn prior to incurring or paying the expenditures.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with OSU to provide integrated services for the University fiscal office. Cash management controls have been initiated to monitor and consistently reconcile financial activities within federal program administration. The previous practice of drawdown prior to expenditure ceased under the integrated services partnership. Allowable funds are drawn after-the-fact and also within tolerances of cost-share requirements.</p>



**Langston University**  
**Schedule of Findings and Questioned Costs, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Finding</b>
2019-010	<p>Federal Program – Research &amp; Development Cluster, Award years 2017 and 2018</p> <p>Criteria or Specific Requirement – Activities Allowed or Unallowed and Allowable Costs/Cost Principles – 2 CFR § 215.27</p> <p>Condition – The University charged unallowable costs to the grants and some grant expenditures were not documented as being approved.</p> <p>Questioned Costs – CFDA No. 10.216 – \$116; CFDA No. 10.205 – \$45,548; CFDA No. 10.500 – \$62,760, calculated as the unallowable costs in the sample in addition to self-identified unallowable costs.</p> <p>Context – Out of a population of 4,709 expenditures, a sample of 60 expenditures was selected. Of the 60, four were noted as being unallowable and approvals of invoices were not documented. Our sample was not, and was not intended to be, statistically valid. In addition, the University had identified various expenses as unallowable through a self-study.</p> <p>Effect – Federal grant funds were used for unallowable costs.</p> <p>Cause – The University did not have a good control process in place to ensure that grant expenditures were approved and appropriately reviewed for allowable purposes.</p> <p>Identification as a Repeat Finding, if Applicable – 2018-005</p> <p>Recommendation – The University should implement controls to ensure that expenditures charged to grants are documented as approved and reviewed for allowability prior to charging to the grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Management concurs. The University has partnered with OSU to provide integrated services for the University fiscal office. The integrated services partnership has focused on continuous monitoring of expenditures within grant programs. These new processes and controls include pre-purchase reviews (with authority to reject) of requisitions on grant-related and cost share expenditures.</p>

**Langston University**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2018-001	<p>Criteria or Specific Requirement – The University should maintain a system of internal controls that ensures financial transactions are timely recorded, all accounts are timely reconciled and all adjustments are recorded in order to generate accurate and timely financial reports.</p> <p>Condition – The accounting department did not have adequate measures in place to ensure transactions were recorded in a timely manner, reconciliations were complete and drawdowns of federal funds were completed on a monthly basis. Policies and procedures were not formalized regarding the processing and recording of transactions to provide guidance for both existing and new employees. This impacted the University’s ability to prepare accurate and timely financial reports for use in managing the operations of the University. The lack of formal processes and training have impacted the University’s ability to timely request reimbursement drawdowns from grantors as well as make timely payments to its vendors.</p> <p>Management’s Response – The University’s Administration agrees with the recommendation as outlined. The Fiscal and Administrative (F&amp;A) Division is currently undergoing an evaluation of financial processes and procedures. The University is currently exploring options for shared services with Oklahoma State University and to engage with an external consulting firm to support financial reporting and accounting activities. The University will evaluate staffing levels and plans to fill critical positions.</p> <p>Reason for Recurrence – Improvements regarding the above matters were not fully implemented during the year ended September 30, 2019.</p>	Unresolved – See 2019-001

**Langston University**  
**Summary Schedule of Prior Audit Findings, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2018-002	<p>Federal Program – Department of Education, CFDA Nos. 84.063, 84.007, 84.003, 84.268 – Student Financial Assistance Cluster</p> <p>Criteria or Specific Requirement – The University must complete the Enrollment Reporting roster file that is placed in their Student Aid Internet Gateway (SAIG) and return the file to the U.S. Department of Education within 15 days. At a minimum, the University must receive the file every 60 days, update the file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes back to the U.S. Department of Education either electronically through the batch method or through the NSLDS website. (FPL, 34 CFR § 674.19; Pell, 34 CFR § 690.83(b)(2); FFEL, 34 CFR § 682.610; and Direct Loan 34 CFR § 685.309).</p> <p>Condition – In the graduate testing, in a sampling population of five students, all five graduated students did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NSC) within sixty days.</p> <p>Management’s Response – The Office of Institutional Research has been assigned responsibility for the NSLDS reporting of enrollment changes. The University will closely monitor adherence to these procedures.</p> <p>Reason for Recurrence – Turnover in the Office of Institutional Research resulted in a lack of oversight.</p>	Unresolved – See 2019-006

**Langston University**  
**Summary Schedule of Prior Audit Findings, continued**  
**Year Ended June 30, 2019**

Reference Number	Summary of Finding	Status
2018-003	<p>Federal Program – Department of Education, CFDA No. 84.031 – Higher Education – Institutional Aid</p> <p>Criteria or Specific Requirement – In accordance with the requirements of the Uniform Guidance, § 200.430, Compensation – Personal Services, requires, in part, that:</p> <ul style="list-style-type: none"> <li>• (1) Charges to Federal awards for salaries and wages must be based on records that accurately <ul style="list-style-type: none"> <li>○ (i) reflect the work performed. These records, in part, must: <ul style="list-style-type: none"> <li>▪ Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;</li> </ul> </li> <li>○ (vii) Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.</li> </ul> </li> </ul> <p>Condition – For a sample of 25 payroll expenditures, the allocation of personnel costs between the federal grant and other funding sources for two employees tested was not supported by documentation that would indicate how the allocation percentages were determined. The allocations used appeared to be based on allocations used in prior years as opposed to allocations based on contemporaneous information. Additionally, out of the sample of 25 payroll expenditures tested, 15 did not contain records, such as timesheets, etc., that would document that the work had been performed.</p>	Resolved

**Langston University**  
**Summary Schedule of Prior Audit Findings, continued**  
**Year Ended June 30, 2019**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2018-004	<p>Federal Program – Department of Education, CFDA No. 84.031 – Higher Education – Institutional Aid</p> <p>Criteria or Specific Requirement – In accordance with the requirements of the Uniform Guidance, § 200.320 defines the procurement methods to be followed when expending federal awards. The small purchase method, which may be followed for purchases up to \$150,000, requires that price or rate quotes must be obtained from an adequate number of sources.</p> <p>Condition – Out of a sample of 25 expenditures, one instance was noted in which the required multiple quotes had not been obtained prior to the item’s purchase. Only one quote was obtained. The University’s procurement policy requires three quotes be obtained for purchases meeting the small purchase procurement method, as defined by § 200.320.</p>	Resolved

**Langston University**  
**Summary Schedule of Prior Audit Findings, continued**  
**Year Ended June 30, 2019**

Reference Number	Summary of Finding	Status
2018-005	<p>Federal Program – U.S. Department of Agriculture, CFDA No. 10.500 – Research &amp; Development Cluster</p> <p>Criteria or Specific Requirement – The University is subject to certain provisions and restrictions regarding the use of its Cooperative Extension Service Grant.</p> <p>Condition – On September 28, 2018, the Office of Grants and Financial Management, National Institute of Food and Agriculture (NIFA), USDA, issued a preliminary report on the site visit to the University’s School of Agriculture and Applied Sciences conducted from June 19 through June 21, 2017. The purpose of the review was to determine if proper administrative and financial controls were in place to manage and safeguard federally issued funds and whether those funds were used for their intended purpose.</p> <p>In that report, NIFA identified seven issues, which are summarized as follows:</p> <ol style="list-style-type: none"> <li>1. <i>Time and Effort Reporting</i> – NIFA is unable to make a determination of the accuracy of payroll allocations to NIFA grants by staff members with split appointments. There was no indication in the report as to the possible amount of disallowed costs.</li> <li>2. <i>Non-Segregation of State Matching Funds in the Accounting System</i> – NIFA is unable to identify the application of state matching funds to specific NIFA grants. There was no indication in the report as to the possible amount of disallowed costs.</li> <li>3. <i>Erroneous Data Reported in the FY 15 Renewable Resources Extension Act Program (RREA)</i></li> <li>4. <i>Final Financial Report</i> – NIFA noted errors in the final SF-425 submitted on October 13, 2016. The error totaled \$587.</li> <li>5. <i>Erroneous Data Reported in the FY 15 Extension Final Financial Report</i> – NIFA noted errors in the final SF-425 submitted on June 13, 2016. The error totaled \$1,838.</li> <li>6. <i>Disallowed Costs – LU Childcare Center</i> – NIFA noted operational expenditures totaling \$87,568 for the Langston University Childcare Center were charged to the FY 2015 Extension award.</li> </ol>	Unresolved – See 2019-008 and 2019-010

**Langston University**  
**Summary Schedule of Prior Audit Findings, continued**  
**Year Ended June 30, 2019**

Reference Number	Summary of Finding	Status
2018-005, continued	<p>7. <i>Disallowed Costs – Teaching Salaries</i> – NIFA identified teaching salaries in the amount of \$561,475 were charged to the FY 2015 Extension award.</p> <p>8. <i>Disallowed Costs – Scholarships</i> – NIFA identified scholarships in the amount of \$80,013 were charged to the FY 2015 Extension award.</p>	

In addition to the above, NIFA has presented the University with a letter summarizing questions it has related to possible additional disallowed costs related to payroll, matching costs and operating expenses.

Management’s Response – The planned evaluations and corrective actions as outlined in Finding 2018-001 and Finding 2018-003 will be fundamental in establishing a strong and reliable grants program administration for the University campus.

Reason for Recurrence – Improvements regarding the above matters were not fully implemented during the year ended September 30, 2019.

## Management's Corrective Action Plan

March 18, 2020

Management's responses and corrective actions to the findings from the June 30, 2019 Schedule of Findings and Questioned Costs are as follows:

### Reference Number 2019-001:

The University has partnered with Oklahoma State University ("OSU") to provide integrated services for the University fiscal office. The University and OSU are in the process of implementing improved internal control processes around reconciliations and adjusting entries in addition to providing training for University staff.

Person responsible for corrective action: Rita Hesser, Director of University Accounting and Controller at Oklahoma State University and Karlon James, Comptroller at Langston University

Anticipated completion date: June 2020

### Reference Number 2019-002:

The University has partnered with OSU to provide integrated services for the University fiscal office. The OSU Grants and Contracts Financial Administration office is now in charge of the post award process for grants and has implemented processes and controls at the University that will address and improve past issues, including the draw down process.

Person responsible for corrective action: Robert Dixon, Director of Grants and Contracts Financial Administration at Oklahoma State University

Anticipated completion date: June 2020

### Reference Number 2019-003:

The University has partnered with OSU to provide integrated services for the University fiscal office. The University and OSU are in the process of implementing improved internal control processes around student accounts receivables including the aging and collections. Additionally, the University and OSU will investigate unrefunded aid to determine amounts due to the federal government.

Person responsible for corrective action: Laurie Beets, Bursar at Oklahoma State University, Cynthia Buckley, Assistant Vice President Student and Employee Services at Langston University and Sheila McGill, Director of Financial Aid and Executive Director of Office of Enrollment Management at Langston University

Anticipated completion date: June 2020

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Reference Number 2019-004:

The University has partnered with OSU to provide integrated services for the University fiscal office. Through this partnership, the University and OSU have already begun to review job duties and ensure that proper segregation of duties are in place. OSU has hired additional employees to assist with integrated services and this allows for proper segregation of duties even with the turnover in the University finance department.

Person responsible for corrective action: Tammy Eck, Associate Vice President for Administration and Finance at Oklahoma State University

Anticipated completion date: June 2020

Reference Number 2019-006:

The Office of the Registrar and Financial Aid office will work together to implement improved processes and controls over student status changes to ensure reporting is timely and accurate.

Person responsible for corrective action: Del Kirkpatrick, University Registrar at Langston University

Anticipated completion date: June 2020

Reference Number 2019-007:

While Langston had communications with the federal agency regarding expenditures nearing the project's end in September 2018, future spend-down activities near or after the project end date will be closely monitored for allowability through the integrated services partnership with OSU. Oversight will include limiting the final month's expenditures to those costs necessary to finalize the project's timely completion.

Person responsible for corrective action: Robert Dixon, Director of Grants and Contracts Financial Administration at Oklahoma State University

Anticipated completion date: June 2020

Reference Number 2019-008:

The University has partnered with OSU to provide integrated services for the University fiscal office. As part of the integrated services, processes and controls have been developed for effort reporting to meet federal requirements.

Person responsible for corrective action: Robert Dixon, Director of Grants and Contracts Financial Administration at Oklahoma State University

Anticipated completion date: June 2020

Reference Number 2019-009:

The University has partnered with OSU to provide integrated services for the University fiscal office. Cash management controls have been initiated to monitor and consistently reconcile financial activities within federal program administration. The previous practice of drawdown prior to expenditure ceased under the integrated services partnership. Allowable funds are drawn after-the-fact and also within tolerances of cost-share requirements.

Person responsible for corrective action: Robert Dixon, Director of Grants and Contracts Financial Administration at Oklahoma State University

Anticipated completion date: June 2020

Reference Number 2019-010:

The University has partnered with OSU to provide integrated services for the University fiscal office. The integrated services partnership has focused on continuous monitoring of expenditures within grant programs. These new processes and controls include pre-purchase reviews (with authority to reject) of requisitions on grant-related and cost share expenditures.

Person responsible for corrective action: Robert Dixon, Director of Grants and Contracts Financial Administration at Oklahoma State University

Anticipated completion date: June 2020