

# **Langston University**

Independent Auditor's Reports and Financial Statements

June 30, 2020 and 2019



**Langston University**  
**June 30, 2020 and 2019**

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## Independent Auditor's Report

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

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 years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Langston 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 audits. We conducted our audits 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.

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 respective financial position of the business-type activities and the discretely presented component unit of Langston University as of June 30, 2020 and 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated October 30, 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  
October 30, 2020

# Langston University

## Management's Discussion and Analysis

### Years Ended June 30, 2020 and 2019

The following management's discussion and analysis 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, 2020 and 2019. 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.

#### ***Financial Summary***

- The University's net position and changes in net position for FY 2020 as compared to FY 2019 and FY 2018 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 depreciation of the endowment contributed to a \$3.9 million decrease in noncurrent assets, while a pension liability of \$32.6 million was recognized as of June 30, 2020, with an overall decrease of approximately \$4.6 million in noncurrent liabilities. Deferred outflows of resources related to the pension and OPEB obligation were recognized in the amount of \$9.9 million. Additionally, deferred inflows of resources related to the pension and OPEB obligations and debt refinancing were also recorded in the amount of \$10.3 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 \$81.0 million, \$81.4 million, and \$74.8 million at June 30, 2020, 2019, and 2018, respectively.

- Total revenues for the fiscal years ended June 30, 2020, 2019, and 2018, amounted to \$72.0 million, \$77.5 million, and \$70.9 million, respectively. Nonoperating revenues decreased by \$8.1 million, reflecting decreases in other nonoperating revenues and gains (losses) on endowment investments.
- Total expenses amounted to \$72.4 million, \$70.9 million, and \$68.5 million for the fiscal years ended June 30, 2020, 2019, and 2018, respectively. Operating expenses held steady during FY 2020.

## Condensed Statements of Net Position

A comparative schedule of the University's net position for the years ended June 30, 2020, 2019, and 2018, is shown below, including the percentage of annual change:

	2020	2019	2020 Increase (Decrease)	2020 Percent Change	2018	2019 Increase (Decrease)	2019 Percent Change
<b>Assets</b>							
Current assets	\$ 33,622,748	\$ 34,324,679	\$ (701,931)	-2.04%	\$ 31,041,464	\$ 3,283,215	10.58%
Noncurrent assets	134,179,223	138,128,770	(3,949,547)	-2.86%	135,126,316	3,002,454	2.22%
Total assets	167,801,971	172,453,449	(4,651,478)	-2.70%	166,167,780	6,285,669	3.78%
<b>Deferred Outflows of Resources</b>	9,896,768	10,582,852	(686,084)	-6.48%	6,951,479	3,631,373	52.24%
<b>Liabilities</b>							
Current liabilities	13,545,974	15,259,633	(1,713,659)	-11.23%	12,481,766	2,777,867	22.26%
Noncurrent liabilities	72,910,491	77,524,115	(4,613,624)	-5.95%	79,072,577	(1,548,462)	-1.96%
Total liabilities	86,456,465	92,783,748	(6,327,283)	-6.82%	91,554,343	1,229,405	1.34%
<b>Deferred Inflows of Resources</b>	10,256,380	8,864,515	1,391,865	15.70%	6,804,969	2,059,546	30.27%
<b>Net Position</b>							
Net investment in capital assets	48,771,829	46,150,001	2,621,828	5.68%	45,494,248	655,753	1.44%
Restricted	52,012,710	53,770,537	(1,757,827)	-3.27%	49,768,470	4,002,067	8.04%
Unrestricted	(19,798,645)	(18,532,500)	(1,266,145)	-6.83%	(20,502,771)	1,970,271	9.61%
Total net position	\$ 80,985,894	\$ 81,388,038	\$ (402,144)	-0.49%	\$ 74,759,947	\$ 6,628,091	8.87%

### FY 2020 Versus FY 2019

Total assets decreased \$4.7 million during FY 2020. The decrease was primarily due to market depreciation in endowment and increased depreciation in capital assets.

Deferred outflows of resources decreased by \$686 thousand 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 \$6.3 million compared to the previous year, reflecting primarily the decrease in capital debt and pension obligations. The University's share of the OTRS pension liability decrease of \$2.3 million was combined with decreases in capital lease obligations of approximately \$2.7 million and the reduction of the accrued loss liability of \$3.5 million.

Deferred inflows of resources increased \$1.4 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 \$81.4 million at June 30, 2019, to \$81.0 million at June 30, 2020.

### 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.

### **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, 2020, 2019, and 2018:

	<b>2020</b>	<b>2019</b>	<b>2020 Increase (Decrease)</b>	<b>2020 Percent Change</b>	<b>2018</b>	<b>2019 Increase (Decrease)</b>	<b>2019 Percent Change</b>
<b>Operating Revenues</b>	\$ 30,746,619	\$ 28,187,357	\$ 2,559,262	9.08%	\$ 30,505,368	\$ (2,318,011)	-7.60%
<b>Operating Expenses</b>	61,102,994	60,471,537	631,457	1.04%	58,153,690	2,317,847	3.99%
<b>Operating Loss</b>	(30,356,375)	(32,284,180)	1,927,805	-5.97%	(27,648,322)	(4,635,858)	16.77%
<b>Nonoperating Revenues (Expenses)</b>	26,564,055	35,069,624	(8,505,569)	-24.25%	25,995,185	9,074,439	34.91%
<b>Gain (Loss) Before Other Revenues, Expenses, Gains, and Losses</b>	(3,792,320)	2,785,444	(6,577,764)	236.15%	(1,653,137)	4,438,581	-268.49%
<b>Other Revenues, Expenses, Gains, and Losses</b>	3,390,176	3,842,647	(452,471)	-11.77%	4,087,409	(244,762)	-5.99%
<b>Increase (Decrease) in Net Position</b>	(402,144)	6,628,091	(7,030,235)	-106.07%	2,434,272	4,193,819	172.28%
<b>Net Position, Beginning of Year</b>	81,388,038	74,759,947	6,628,091	8.87%	72,325,675	2,434,272	3.37%
<b>Net Position, End of Year</b>	\$ 80,985,894	\$ 81,388,038	\$ (402,144)	-0.49%	\$ 74,759,947	\$ 6,628,091	8.87%

### **FY 2020 Versus FY 2019**

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 2020, total revenues decreased by approximately \$5.5 million compared to the previous year. Operating revenues increased \$2.6 million, which is primarily related to increased grants and contracts and auxiliary revenues. That increase was then offset by the decreases in other nonoperating revenues and losses on endowment investments revenue.

Total expenses include operating expenses as well as nonoperating expenses, such as interest expense. Total expenses increased \$1.5 million for FY 2020. Operating expenses increased \$631 thousand during FY 2020.

### **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.

### **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, 2020, 2019, and 2018, as reflected in its financial statements:

	2020	2019	2020 Increase (Decrease)	2020 Percent Change	2018	2019 Increase (Decrease)	2019 Percent Change
<b>Net Cash Provided by (Used in)</b>							
Operating activities	\$ (23,476,021)	\$ (21,919,528)	\$ (1,556,493)	-7.10%	\$ (21,095,502)	\$ (824,026)	-3.91%
Noncapital financing activities	29,276,201	28,203,376	1,072,825	3.80%	23,318,695	4,884,681	20.95%
Capital and related financing activities	(5,062,100)	(3,230,823)	(1,831,277)	-56.68%	(2,851,481)	(379,342)	-13.30%
Investing activities	771,918	688,824	83,094	12.06%	523,420	165,404	31.60%
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	1,509,998	3,741,849	(2,231,851)	59.65%	(104,868)	3,846,717	3668.15%
<b>Cash and Cash Equivalents, Beginning of Year</b>	25,937,611	22,195,762	3,741,849	16.86%	22,300,630	(104,868)	-0.47%
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 27,447,609</u>	<u>\$ 25,937,611</u>	<u>\$ 1,509,998</u>	5.82%	<u>\$ 22,195,762</u>	<u>\$ 3,741,849</u>	16.86%

### **FY 2020 Versus FY 2019**

Cash and cash equivalents amounted to \$27.4 million at June 30, 2020, a \$1.5 million increase from the previous year. Net cash used in operating activities increased \$1.6 million 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 \$1.1 million primarily due to cash received from federal grants and contracts. Net cash used in capital and related financing activities increased by \$1.8 million primarily due to increased expenditures for capital assets and capital debt repayments.

### **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. Net cash provided by investing activities increased by \$165 thousand primarily reflecting increased investment income.



## Capital Assets

The following table represents the University's capital assets at June 30, 2020, 2019, and 2018:

	2020	2019	2020 Increase (Decrease)	2020 Percent Change	2018	2019 Increase (Decrease)	2019 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	945,003	-	945,003	100.00%	594,399	(594,399)	100.00%
Buildings and improvements	131,125,623	129,751,234	1,374,389	1.06%	129,466,322	284,912	0.22%
Infrastructure	5,102,828	5,005,299	97,529	1.95%	5,005,299	-	0.00%
Equipment	15,981,575	14,201,298	1,780,277	12.54%	18,616,298	(4,415,000)	-23.72%
Library materials	4,317,739	4,317,739	-	0.00%	4,317,739	-	100.00%
	<u>161,569,143</u>	<u>157,371,945</u>	<u>4,197,198</u>	<u>2.67%</u>	<u>162,096,432</u>	<u>(4,724,487)</u>	<u>-2.91%</u>
Less accumulated depreciation	<u>(72,661,006)</u>	<u>(68,259,470)</u>	<u>(4,401,536)</u>	<u>6.45%</u>	<u>(69,965,547)</u>	<u>1,706,077</u>	<u>-2.44%</u>
Net capital assets	<u>\$ 88,908,137</u>	<u>\$ 89,112,475</u>	<u>\$ (204,338)</u>	<u>-0.23%</u>	<u>\$ 92,130,885</u>	<u>\$ (3,018,410)</u>	<u>-3.28%</u>

### FY 2020 Versus FY 2019

Capital assets amounted to \$88.9 million at June 30, 2020, a \$204 thousand decrease from June 30, 2019. The largest increase in capital assets was reflected in a \$1.4 million increase in buildings and improvements and a \$1.8 million increase in equipment. Offsetting the increase in capital assets was an increase in accumulated depreciation of \$4.4 million, reflecting scheduled depreciation.

### 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 a decrease in accumulated depreciation of \$1.7 million, reflecting scheduled depreciation.

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

## Long-Term Liabilities

The following table presents the University's long-term liabilities as of June 30, 2020, 2019, and 2018:

	2020	2019	2020 Increase (Decrease)	2020 Percent Change	2018	2019 Increase (Decrease)	2019 Percent Change
OICA capital leases	\$ 8,978,177	\$ 9,128,742	\$ (150,565)	-1.65%	\$ 10,546,016	\$ (1,417,274)	-13.44%
ODFA lease obligation	28,089,332	30,381,999	(2,292,667)	-7.55%	32,242,832	(1,860,833)	-5.77%
Premium on capital leases	<u>2,500,179</u>	<u>2,744,894</u>	<u>(244,715)</u>	<u>-8.92%</u>	<u>2,989,609</u>	<u>(244,715)</u>	<u>-8.19%</u>
Total long-term debt	39,567,688	42,255,635	(2,687,947)	-6.36%	45,778,457	(3,522,822)	-7.70%
Net pension liability	32,649,208	34,995,984	(2,346,776)	-6.71%	32,343,472	2,652,512	8.20%
Other liabilities	<u>3,275,761</u>	<u>2,960,443</u>	<u>315,318</u>	<u>10.65%</u>	<u>4,649,387</u>	<u>(1,688,944)</u>	<u>-36.33%</u>
Total long-term liabilities	<u>\$ 75,492,657</u>	<u>\$ 80,212,062</u>	<u>\$ (4,719,405)</u>	<u>-5.88%</u>	<u>\$ 82,771,316</u>	<u>\$ (2,559,254)</u>	<u>-3.09%</u>

### FY 2020 Versus FY 2019

Long-term liabilities decreased \$4.7 million during FY 2020. The decrease of \$2.7 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 \$39.6 million at June 30, 2020, compared to \$42.3 million at June 30, 2019. The net pension obligation reflects a decrease of \$2.3 million in long-term liabilities.

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

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.

Further detailed information regarding long-term liabilities can be found in *Note 7* to 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 2020 held steady with 2019 despite being in the midst of the COVID-19 global pandemic. Greater emphasis has been placed on recruiting in 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, as well as our site in Ardmore, Oklahoma.

After receiving a 2.08% increase for FY 2020 in state appropriations, the University received a 3.9% reduction in FY 2021 state appropriations due to statewide budget shortfalls and cuts primarily due to the COVID-19 pandemic. 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 and support 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 most affordable 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.

As a result of the COVID-19 pandemic, the University has transitioned to offer additional hybrid and flexible classes to retain students, protect revenue, and comply with social distancing requirements recommended by the Centers for Disease Control and Prevention. The University has invested in supplemental technology for safe course delivery to ensure that students have continual access to their classes in the event they or their instructors are quarantined.

During FY 2020, the University received funding through the Higher Education Emergency Relief Fund, through the CARES Act, which was provided by the United States government. The University received \$3.1 million in the initial funding, of which half, or \$1.54 million, had the requirement of being disbursed directly to students in the form of emergency cash grants. The remaining institutional portion can and has been used to support credit adjustments made due to disruptions created by the pandemic. The majority of these funds were expended during FY 2020. The University also received additional funding through the CARES Act as part of the HBCU program of nearly \$6 million. This funding will also be used for student grants, reinforcements to University infrastructure such as telephones and internet, upgrades in remote learning technology, personal protective equipment, as well as cleaning services and supplies during FY 2021.

**Langston University**  
**Statements of Net Position**  
**June 30, 2020 and 2019**

**Assets**

	<u>University</u>		<u>Foundation</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 19,189,447	\$ 16,426,654	\$ 2,036,933	\$ 1,862,929
Restricted cash and cash equivalents	7,298,101	8,550,896	-	-
Investments	936,272	968,282	-	-
Restricted investments	643,149	691,089	-	-
Accounts receivable, net	1,917,481	2,744,146	227,475	336,813
Grants and contracts receivable	3,265,751	4,524,519	-	-
Other assets	-	-	7,212	14,553
Funds held for the benefit of the University	324,961	323,321	-	-
Interest receivable	46,399	94,585	-	-
Student loans receivable, net	1,187	1,187	-	-
	<u>33,622,748</u>	<u>34,324,679</u>	<u>2,271,620</u>	<u>2,214,295</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	960,061	960,061	-	-
Investments	-	-	2,558,718	2,327,282
Restricted investments	759,110	759,110	-	-
Restricted net OPEB asset	299,244	367,797	-	-
Funds held by OSRHE for the benefit of the University	43,252,671	46,929,327	-	-
Accounts receivable, net	-	-	196,886	400,423
Capital assets, net	88,908,137	89,112,475	19,686	13,019
	<u>134,179,223</u>	<u>138,128,770</u>	<u>2,775,290</u>	<u>2,740,724</u>
Total assets	<u>167,801,971</u>	<u>172,453,449</u>	<u>5,046,910</u>	<u>4,955,019</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to OPEB	354,218	219,726	-	-
Deferred outflows related to pensions	9,542,550	10,363,126	-	-
	<u>9,896,768</u>	<u>10,582,852</u>	<u>-</u>	<u>-</u>

**Langston University**  
**Statements of Net Position, continued**  
**June 30, 2020 and 2019**

**Liabilities and Net Position**

	<u>University</u>		<u>Foundation</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>				
Accounts payable	\$ 6,883,517	\$ 4,781,929	\$ 17,121	\$ 38,338
Accrued liabilities	914,639	775,973	-	-
Accrued losses	-	3,471,498	-	-
Other current liabilities	306,740	301,343	-	-
Unearned revenues	2,215,805	2,687,763	-	-
Accrued compensated absences	643,107	451,314	-	-
Accrued interest payable	-	101,867	-	-
Current portion of noncurrent liabilities	<u>2,582,166</u>	<u>2,687,946</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>13,545,974</u>	<u>15,259,633</u>	<u>17,121</u>	<u>38,338</u>
<b>Noncurrent Liabilities, Net of Current Portion</b>				
Unearned revenues	-	47,500	-	-
Accrued compensated absences	1,576,145	1,353,942	-	-
Total OPEB liability	1,699,616	1,559,001	-	-
Pension liability	32,649,208	34,995,984	-	-
Capital lease obligations payable to state agencies	<u>36,985,522</u>	<u>39,567,688</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>72,910,491</u>	<u>77,524,115</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>86,456,465</u>	<u>92,783,748</u>	<u>17,121</u>	<u>38,338</u>
<b>Deferred Inflows of Resources</b>				
Deferred gain on OCIA lease restructure	521,122	564,340	-	-
Deferred inflows related to OPEB	1,697,425	1,970,431	-	-
Deferred inflows related to pensions	<u>8,037,833</u>	<u>6,329,744</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>10,256,380</u>	<u>8,864,515</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	48,771,829	46,150,001	-	-
Restricted				
Nonexpendable	31,719,171	31,719,171	2,214,398	2,167,651
Expendable				
Scholarships, research, instruction, and other	16,054,877	17,564,653	2,865,419	2,664,470
Loans	61,301	61,301	-	-
Capital projects	3,878,117	4,057,615	-	-
OPEB	299,244	367,797	-	-
Unrestricted	<u>(19,798,645)</u>	<u>(18,532,500)</u>	<u>(50,028)</u>	<u>84,560</u>
Total net position	<u>\$ 80,985,894</u>	<u>\$ 81,388,038</u>	<u>\$ 5,029,789</u>	<u>\$ 4,916,681</u>

**Langston University**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2020 and 2019**

	<u>University</u>		<u>Foundation</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>				
Student tuition and fees, net of scholarship discounts and allowances; 2020 – \$5,664,000, 2019 – \$4,742,000	\$ 9,092,809	\$ 8,571,739	\$ -	\$ -
Federal grants and contracts	13,374,782	10,865,884	-	-
State and local grants and contracts	31,434	161,522	-	-
Nongovernmental grants and contracts	1,385,359	1,028,751	-	-
Auxiliary enterprise charges				
Housing, net of scholarship discounts and allowances; 2020 – \$2,900,000, 2019 – \$2,293,000	4,295,647	3,668,967	-	-
Food services, net of scholarship discounts and allowances; 2020 – \$1,131,000, 2019 – \$1,183,000	1,665,651	1,988,239	-	-
Athletics	215,147	131,295	-	-
Other	354,212	868,848	-	-
Gifts and contributions	-	-	1,010,393	1,103,541
Other operating revenues	331,578	902,112	198,478	248,198
	<u>30,746,619</u>	<u>28,187,357</u>	<u>1,208,871</u>	<u>1,351,739</u>
<b>Operating Expenses</b>				
Compensation and employee benefits	28,503,387	27,872,470	-	-
Contractual services	11,572,174	12,162,675	-	-
Supplies and materials	1,871,087	2,496,175	-	-
Utilities	2,185,019	2,182,421	-	-
Communications	77,295	196,782	-	-
Other operating expenses	7,285,408	5,810,137	1,110,486	1,086,623
Repayment of federal funding	-	1,271,498	-	-
Scholarships and fellowships	5,130,514	3,433,758	142,671	162,368
Depreciation	4,478,110	5,045,621	-	-
	<u>61,102,994</u>	<u>60,471,537</u>	<u>1,253,157</u>	<u>1,248,991</u>
<b>Operating Income (Loss)</b>	<u>(30,356,375)</u>	<u>(32,284,180)</u>	<u>(44,286)</u>	<u>102,748</u>

**Langston University**  
**Statements of Revenues, Expenses, and Changes in Net Position, continued**  
**Years Ended June 30, 2020 and 2019**

	<b>University</b>		<b>Foundation</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	\$ 14,506,146	\$ 14,233,983	\$ -	\$ -
OTRS on-behalf contributions	1,663,367	1,810,736	-	-
Pass-through grant revenue	10,454,301	7,646,655	-	-
Charter schools program revenue	10,398,276	9,357,988	-	-
Charter schools program expense	(9,936,798)	(8,948,428)	-	-
Investment income	815,039	843,791	157,394	129,635
Other nonoperating revenues	1,939,041	2,413,178	-	-
Gain (loss) on endowment investments	(1,929,847)	9,187,038	-	-
Interest expense	(1,345,470)	(1,475,317)	-	-
	<u>26,564,055</u>	<u>35,069,624</u>	<u>157,394</u>	<u>129,635</u>
<b>Gain (Loss) Before Other Revenues, Expenses, Gains, and Losses</b>	(3,792,320)	2,785,444	113,108	232,383
<b>Other Revenues, Expenses, Gains, and Losses</b>				
State appropriations restricted for capital purposes	1,950,638	1,942,329	-	-
OCIA on-behalf payments	567,111	1,900,318	-	-
Capital contributions	872,427	-	-	-
	<u>(402,144)</u>	<u>6,628,091</u>	<u>113,108</u>	<u>232,383</u>
<b>Increase (Decrease) in Net Position</b>	(402,144)	6,628,091	113,108	232,383
<b>Net Position, Beginning of Year</b>	<u>81,388,038</u>	<u>74,759,947</u>	<u>4,916,681</u>	<u>4,684,298</u>
<b>Net Position, End of Year</b>	<u>\$ 80,985,894</u>	<u>\$ 81,388,038</u>	<u>\$ 5,029,789</u>	<u>\$ 4,916,681</u>

**Langston University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Tuition and fees	\$ 9,428,364	\$ 8,142,115
Grants and contracts	15,767,809	15,453,972
Auxiliary enterprise charges	6,784,843	6,137,286
Other operating receipts	331,578	902,112
Payments to employees for salaries and benefits	(26,303,798)	(26,878,663)
Payments for scholarships and fellowships	(5,130,514)	(3,433,758)
Payments to suppliers	(24,354,303)	(22,242,592)
	<u>(23,476,021)</u>	<u>(21,919,528)</u>
<b>Noncapital Financing Activities</b>		
Federal grants and contracts	9,623,470	6,751,097
State and local grants and contracts	830,831	895,558
State appropriations	14,506,146	14,233,983
Miscellaneous	461,478	409,560
Proceeds from insurance	1,937,857	2,413,178
Distribution of endowment	1,916,419	3,500,000
	<u>29,276,201</u>	<u>28,203,376</u>
<b>Capital and Related Financing Activities</b>		
Cash paid for capital assets	(3,401,345)	(2,120,857)
Capital appropriations received	1,950,638	1,942,329
Repayments of capital debt and leases	(2,292,669)	(1,860,834)
Interest paid on capital debt and leases	(1,318,724)	(1,191,461)
	<u>(5,062,100)</u>	<u>(3,230,823)</u>
<b>Investing Activities</b>		
Interest received on investments	771,918	688,824
	<u>771,918</u>	<u>688,824</u>
<b>Increase in Cash and Cash Equivalents</b>	1,509,998	3,741,849
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>25,937,611</u>	<u>22,195,762</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 27,447,609</u>	<u>\$ 25,937,611</u>

**Langston University**  
**Statements of Cash Flows, continued**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (30,356,375)	\$ (32,284,180)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	4,478,110	5,045,621
OTRS on-behalf contributions	1,663,367	1,810,736
Net loss on disposal of assets	-	145,425
Changes in net assets and liabilities		
Accounts, loans, and other receivables	2,085,434	432,603
Restricted net OPEB asset	68,553	(152,828)
Deferred outflows related to pensions and OPEB	686,084	(3,631,373)
Accounts payable and accrued expenses	(1,231,244)	1,558,017
Unearned revenues	(519,458)	2,015,525
Deferred inflows related to pensions and OPEB	1,435,083	2,115,886
Pension liability	(2,346,776)	2,652,512
Total OPEB liability	140,615	(1,532,682)
Other current liabilities	6,590	(13,107)
Accrued compensated absences	413,996	(81,683)
Net cash used in operating activities	\$ (23,476,021)	\$ (21,919,528)
<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	\$ 567,111	\$ 1,900,318
Gain (loss) on endowment funds	\$ (1,929,847)	\$ 9,187,038
Contribution of capital assets	\$ 872,427	\$ -
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Current assets		
Cash and cash equivalents	\$ 19,189,447	\$ 16,426,654
Restricted cash and cash equivalents	7,298,101	8,550,896
Noncurrent assets		
Restricted cash and cash equivalents	960,061	960,061
Total cash and cash equivalents	\$ 27,447,609	\$ 25,937,611



# **Langston University**

## **Notes to Financial Statements**

### **June 30, 2020 and 2019**

#### **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, and is included in the comprehensive annual financial report of the State of Oklahoma 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, which consist of five institutions. This authority includes but is not limited to the power to designate management; 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 Codifications. 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, which 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 (GAAP) applicable to public sector institutions of higher education. The University applies all applicable GASB pronouncements.

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

***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 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 and carried at amortized cost.

***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 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. The receivable is 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 are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are recorded when received. A student account receivable is 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, 2020 and 2019

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.

#### ***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 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 acquisition 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 in 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, 2020 and 2019.

#### ***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, 2020 and 2019**

***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 GAAP 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 includes 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, 2020 and 2019

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, sales and services of educational departments and 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; and 3) most federal, state, and local grants and contracts.
- **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 grants, such as Pell grants, and other federal or state government or nongovernmental programs, are

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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 of resources are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2020 and 2019, the University's deferred outflows of resources were comprised of deferred charges related to pensions and other postemployment benefits (OPEB).

***Deferred Inflows of Resources***

Deferred inflows of resources are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2020 and 2019, the University's deferred inflows of resources were comprised of deferred gains related to leases, pensions, and OPEB.

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

The University participates in cost-sharing, multiple-employer defined benefit pension and OPEB plans. The fiduciary net position 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 (asset), deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense (income), information about the fiduciary net position of OTRS and additions to/deductions from OTRS's 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 OPEB plan, providing health insurance and life insurance to retirees (the OPEB Plans). For purposes of measuring the pension and OPEB liability, deferred inflows and outflows of resources related to pensions and OPEB and pension and OPEB expense have been determined on the same basis as they are reported by the OPEB Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

***Future Accounting Pronouncements***

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. GASB 84 is now effective for periods beginning after December 13, 2019. Earlier application is encouraged.

# Langston University

## Notes to Financial Statements

### June 30, 2020 and 2019

In June 2017, GASB issued Statement No. 87, *Leases*. GASB 87 requires recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 is now effective for periods beginning after June 15, 2021. Earlier application is encouraged.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates a diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 is now effective for periods beginning after December 15, 2021. Earlier application is encouraged.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 defines a subscription-based information technology arrangement (SBITA), establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and required note disclosure regarding a SBITA. GASB 96 is effective for periods beginning after June 15, 2022. Earlier application is encouraged.

The University has not yet determined the effect, if any, of adoption of the GASB statements for the financial statements.

#### ***New Accounting Pronouncement Adopted in Fiscal Year 2020***

The University adopted the following new accounting pronouncement during the year ended June 30, 2020:

##### ***GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance***

GASB 95 was issued in May 2020 and the primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods after June 15, 2018, and later. The University adopted GASB 95 for the June 30, 2020, reporting year.

#### **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 State Treasurer. Oklahoma statutes require the State Treasurer to ensure that all state funds either be insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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 State 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>2020</b>	<b>2019</b>
Deposits with State Treasurer	\$ 27,435,609	\$ 25,934,211
Petty cash and change funds	12,000	3,400
	<b>\$ 27,447,609</b>	<b>\$ 25,937,611</b>

The differences 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 \$27,435,609 and \$25,934,211 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2020 and 2019, \$26,077,899 and \$24,434,567, 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 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>2020</b>		<b>2019</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
U.S. agency	\$ 6,044,991	\$ 6,123,590	\$ 7,570,713	\$ 7,617,655
Money market mutual funds	1,360,430	1,360,430	2,431,797	2,431,797
Certificates of deposit	384,870	384,870	540,250	540,250
Mortgage-backed securities	9,689,667	10,120,650	9,818,096	10,022,581
Municipal bonds	33,434	34,573	43,421	45,337
Foreign bonds	270,995	270,779	101,215	99,662
U.S. Treasury bonds	8,293,512	8,501,173	3,929,075	3,980,555
	<b>\$ 26,077,899</b>	<b>\$ 26,796,065</b>	<b>\$ 24,434,567</b>	<b>\$ 24,737,837</b>



# Langston University

## Notes to Financial Statements

### June 30, 2020 and 2019

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 approximately 723 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 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 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

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

The University had the following investments at June 30:

Investment Type	Fair Value Hierarchy	Credit Rating	Maturity	2020	2019
Mutual funds	Level 1	Not Rated	N/A	\$ 2,338,531	\$ 2,418,481

- **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 has authorized short-term funds to be invested in any security currently available through the State Treasurer’s office. 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.
- **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 auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Student tuition and fees	\$ 7,431,630	\$ 6,950,941
Auxiliary enterprises and other student activities	8,855,053	7,387,419
	<u>16,286,683</u>	<u>14,338,360</u>
Less allowance for doubtful accounts	<u>(14,369,202)</u>	<u>(11,594,214)</u>
	<u>\$ 1,917,481</u>	<u>\$ 2,744,146</u>

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**Note 4: Other Receivables**

Other receivables consist of the following at June 30:

	<b>2020</b>	<b>2019</b>
Grants and contracts receivable	\$ 3,265,751	\$ 4,524,519
Interest receivable	46,399	94,585
Loans receivable	1,187	1,187
	<b>\$ 3,313,337</b>	<b>\$ 4,620,291</b>

**Note 5: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2020:

	<b>Balance, June 30, 2019</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Balance, June 30, 2020</b>
Capital assets not being depreciated					
Land	\$ 2,546,375	\$ -	\$ -	\$ -	\$ 2,546,375
Artwork	1,550,000	-	-	-	1,550,000
Construction in progress	-	945,003	-	-	945,003
Total capital assets not being depreciated	4,096,375	945,003	-	-	5,041,378
Other capital assets					
Buildings and improvements	129,751,234	1,450,963	-	(76,574)	131,125,623
Infrastructure	5,005,299	97,529	-	-	5,102,828
Equipment	14,201,298	1,780,277	-	-	15,981,575
Library materials	4,317,739	-	-	-	4,317,739
Total other capital assets	153,275,570	3,328,769	-	(76,574)	156,527,765
Less accumulated depreciation					
Buildings and improvements	(49,758,679)	(3,106,865)	-	76,574	(52,788,970)
Infrastructure	(2,732,471)	(381,672)	-	-	(3,114,143)
Equipment	(11,450,581)	(989,573)	-	-	(12,440,154)
Library materials	(4,317,739)	-	-	-	(4,317,739)
Total accumulated depreciation	(68,259,470)	(4,478,110)	-	76,574	(72,661,006)
Capital assets, net	<b>\$ 89,112,475</b>	<b>\$ (204,338)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 88,908,137</b>

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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)	-	-
Total capital assets not being depreciated	<u>4,690,774</u>	<u>31,653</u>	<u>(626,052)</u>	<u>-</u>	<u>4,096,375</u>
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
Total other capital assets	<u>157,405,658</u>	<u>2,140,983</u>	<u>626,052</u>	<u>(6,897,123)</u>	<u>153,275,570</u>
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)
Total accumulated depreciation	<u>(69,965,547)</u>	<u>(5,045,621)</u>	<u>-</u>	<u>6,751,698</u>	<u>(68,259,470)</u>
Capital assets, net	<u>\$ 92,130,885</u>	<u>\$ (2,872,985)</u>	<u>\$ -</u>	<u>\$ (145,425)</u>	<u>\$ 89,112,475</u>

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 \$58,415,709 and \$60,623,823 at June 30, 2020 and 2019, respectively, with accumulated depreciation of \$21,357,923 and \$23,064,915, respectively.

**Note 6: Unearned Revenues**

Unearned revenues consisted of the following at June 30:

	<b>2020</b>	<b>2019</b>
Student tuition and fees	\$ 314,211	\$ 456,135
Grants and contractual agreements	<u>1,901,594</u>	<u>2,279,128</u>
Total unearned revenues	<u>\$ 2,215,805</u>	<u>\$ 2,735,263</u>

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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 is required to be amortized over a five-year period, with the remaining \$950,000 amortized over 10 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 \$47,500 and \$142,500 at June 30, 2020 and 2019, 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, 2020, was as follows:

	<b>Balance, June 30, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2020</b>	<b>Amounts Due Within One Year</b>
Capital lease obligations					
OCIA 2014A Series	\$ 5,871,642	\$ -	\$ (7,125)	\$ 5,864,517	\$ -
OCIA 2014C Series	3,257,100	-	(143,440)	3,113,660	150,700
ODFA Master Lease 2014A	3,805,999	-	(586,667)	3,219,332	562,167
ODFA Master Lease 2015A	15,026,000	-	(750,166)	14,275,834	711,667
ODFA Master Lease 2016A	11,549,999	-	(955,833)	10,594,166	912,917
Premium on lease obligation	2,744,894	-	(244,715)	2,500,179	244,715
	<u>42,255,634</u>	<u>-</u>	<u>(2,687,946)</u>	<u>39,567,688</u>	<u>2,582,166</u>
Total capital lease obligations					
Other liabilities					
Accrued compensated absences	1,805,256	1,057,103	(643,107)	2,219,252	643,107
	<u>1,805,256</u>	<u>1,057,103</u>	<u>(643,107)</u>	<u>2,219,252</u>	<u>643,107</u>
Total other liabilities					
	<u>1,805,256</u>	<u>1,057,103</u>	<u>(643,107)</u>	<u>2,219,252</u>	<u>643,107</u>
Total long-term liabilities	<u>\$ 44,060,890</u>	<u>\$ 1,057,103</u>	<u>\$ (3,331,053)</u>	<u>\$ 41,786,940</u>	<u>\$ 3,225,273</u>

**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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>

**Capital Lease Obligations**

**Oklahoma Capital Improvement Authority (OCIA) Lease Obligations**

In 2005, 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

**Langston University**  
**Notes to Financial Statements**  
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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. The Series 2010A bonds were fully paid during the year ended June 30, 2019.

In 2014, 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 2005F and the new liability of 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, 2020 and 2019, the unamortized gain, included in deferred inflows of resources, totaled \$216,085 and \$237,515, respectively, and will be 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, OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2006D. Of the total bond indebtedness, the State 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 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 the University's 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, 2020 and 2019, the unamortized gain totaled \$305,037 and \$326,825, 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 \$567,111 and \$1,900,318 during the years ended June 30, 2020 and 2019, respectively, were made by the State on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the accompanying statements of revenues, expenses, and changes in net position.

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**Oklahoma Development Finance Authority (ODFA) Lease Obligation**

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 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>
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	3,006,804	1,137,328	4,144,132
2026–2030	15,620,597	3,720,719	19,341,316
2031–2035	7,772,394	910,020	8,682,414
	<u>\$ 37,067,509</u>	<u>\$ 11,461,987</u>	<u>\$ 48,529,496</u>



**Langston University**  
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**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</b>
<b>2020</b>				
Supplemental retirement plan	\$ 620,955	\$ -	\$ -	\$ 66,173
OTRS pension liability	<u>32,028,253</u>	<u>9,542,550</u>	<u>8,037,833</u>	<u>4,006,729</u>
Total	<u>\$ 32,649,208</u>	<u>\$ 9,542,550</u>	<u>\$ 8,037,833</u>	<u>\$ 4,072,902</u>
<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>

**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 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

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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.
- 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 2020 and 2019.

**Contributions** – The contribution requirements of the plan are at an established rate determined 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 \$2,183,775 and \$2,129,283 for the years ended June 30, 2020 and 2019, respectively. The State also made on-behalf contributions to OTRS totaling \$1,663,367 and \$1,810,736 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the University reported a liability of \$32,028,253 and \$34,397,331, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018. 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, 2020 and 2019. Based upon this information, the University's proportion for June 30, 2019 and 2018, was 0.4840% and 0.5691%, respectively. For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$4,006,729 and \$3,397,790, 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>2020</b>		
Difference between expected and actual experience	\$ 1,644,133	\$ 1,372,506
Change of assumptions	1,681,550	1,080,887
Net difference between projected and actual earnings on pension plan investments	217,215	-
Changes in proportion	3,802,925	5,170,376
Difference between university contributions and proportionate share of contributions	12,952	414,064
University benefit payments subsequent to the measurement date	2,183,775	-
Total	\$ 9,542,550	\$ 8,037,833
<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	2,129,283	-
Total	\$ 10,363,126	\$ 6,329,744

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The amounts of \$2,183,775 and \$2,129,283, 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, 2021 and 2020, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions at June 30, 2020, will be recognized in pension expense as follows:

2021	\$ 715,122
2022	(995,768)
2023	(278,763)
2024	95,481
2025	<u>(215,130)</u>
	<u>\$ (679,058)</u>

**Actuarial Assumptions** – The total pension liability as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, 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 8.00% 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, 2020 and 2019, 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	<u>10.0%</u>	6.1%
Total	<u><u>100.0%</u></u>	

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

**Discount Rate** – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2020 and 2019. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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 7.50% for 2020 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
<b>2020</b>			
Employers' proportionate share of net pension liability	\$ 45,131,307	\$ 32,028,253	\$ 21,066,898

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

**Supplemental Retirement Plan**

**Plan Description** – The Supplemental Retirement Plan (the 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 an employee’s 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 \$43,871 and \$43,011 for the fiscal years ended June 30, 2020 and 2019, respectively. The 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 \$620,955 and \$598,653 at June 30, 2020 and 2019, respectively, for its net pension liability. The pension liability was measured as of June 30, 2020 and 2019, with an actuarial valuation as of June 30, 2020 and 2019, respectively.

The University recognized pension expense of \$66,173 and \$216,668 for the years ended June 30, 2020 and 2019, respectively.

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

	<b>2020</b>	<b>2019</b>
Beginning total pension liability	\$ 598,653	\$ 424,996
Interest	20,243	15,655
Change of assumptions	39,764	210,473
Difference between actual and expected experience	6,166	(9,460)
Benefit payments	(43,871)	(43,011)
Ending total pension liability	\$ 620,955	\$ 598,653

**Actuarial Assumptions** – The total pension liability as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of June 30, 2020 and 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Amortization Method – Seven-year closed amortization period (2020); Eight-year closed amortization period (2019)

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- Discount Rate – 2.66% (2020) and 3.51% (2019) (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 MP2019 (2020); RP-2014 with fully generational improvements from 2006 based on assumptions from Scale MP2018 (2019)

**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:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
<b>2020</b>			
Employers’ total pension liability	\$ 677,528	\$ 620,955	\$ 571,649

**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 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**

	OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
<b>2020</b>				
Health and Death Benefit Plan	\$ 1,699,616	\$ 315,932	\$ 1,538,753	\$ (78,152)
OTRS OPEB Plan	(299,244)	38,286	158,672	(41,270)
Total	\$ 1,400,372	\$ 354,218	\$ 1,697,425	\$ (119,422)

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	OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
<b>2019</b>				
Health and Death Benefit Plan	\$ 1,559,001	\$ 191,253	\$ 1,707,636	\$ (41,180)
OTRS OPEB Plan	(367,797)	28,473	262,795	(48,800)
Total	\$ 1,191,204	\$ 219,726	\$ 1,970,431	\$ (89,980)

**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 OPEB 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 0.13% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the University were \$4,113 and \$14,362 for the years ended June 30, 2020 and 2019, respectively.

**OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB** – At June 30, 2020 and 2019, the University reported an asset of \$299,244 and \$367,797, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019 and 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019 and 2018, 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, 2019. Based upon this information, the University’s proportion was 0.4840% and 0.5691% as of June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, the University recognized OPEB benefit of \$(41,270) and \$(48,800), respectively.



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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>2020</b>		
Difference between expected and actual experience	\$ -	\$ 109,377
Net difference between projected and actual earnings on OPEB plan investments	-	42,936
Differences between university contributions and proportionate share of contributions	34,173	6,359
University contributions subsequent to the measurement date	<u>4,113</u>	<u>-</u>
Total	<u>\$ 38,286</u>	<u>\$ 158,672</u>
<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>

The \$4,113 and \$14,362 reported as deferred outflows of resources related to OPEB resulting from university contributions subsequent to the measurement date for June 30, 2020 and 2019, respectively, will be recognized as a reduction of the net OPEB liability (asset) in the years ended June 30, 2021 and 2020, respectively. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (48,608)
2022	(48,608)
2023	(19,014)
2024	(2,110)
2025	(5,158)
Thereafter	<u>(1,001)</u>
	<u>\$ (124,499)</u>

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**Actuarial Assumptions** – The total OPEB liability (asset) as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of June 30, 2019 and 2018, 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 8.00% 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%.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020 and 2019, 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	100.0%	

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

**Discount Rate** – A single discount rate of 7.50% was used to measure the total OPEB liability (asset) as of June 30, 2020 and 2019. This single discount rate was based solely on the expected

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rate of return on OPEB plan investments of 7.50%. 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 (Asset) to Changes in the Discount Rate** – The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.50% for 2020, as well as what the OPEB plan’s net OPEB liability (asset) 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>2020</b>			
Employers’ net OPEB liability (asset)	\$ (100,275)	\$ (299,244)	\$ (469,250)

**Pension Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report of 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 University’s Board of Regents 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.

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

	<b>2020</b>	<b>2019</b>
Active employees (participants)	328	328
Retired participants (health benefits)*	5	5
Retired participants (death benefits)	197	197
Total	530	530

\*All retirees with health benefits also have death benefits

**Total OPEB Liability** – The University’s total OPEB liability of \$1,699,616 and \$1,559,001 at June 30, 2020 and 2019, respectively, was measured as of June 30, 2020 and 2019, 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, 2020 and 2019, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 2.66% and 3.51% for 2020 and 2019, respectively, based on published Bond Pay GO-20 bond index
- Retirement Age – based on OTRS actuarial valuation for 2019 and 2020
- Health care cost trend rates – 8.00% decreasing 0.50% annually to an ultimate rate of 4.50% for 2019 and 7.50% decreasing 0.50% annually to an ultimate rate of 4.50% for 2020
- Mortality Rates – SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 for 2019 and 2020
- Pre-Retirement Termination – the OTRS actuarial valuation study as of June 30, 2016, for 2019 and 2020

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

	<b>2020</b>	<b>2019</b>
Beginning total OPEB liability	\$ 1,559,001	\$ 3,091,683
Service cost	33,577	26,808
Interest	54,598	119,545
Change of assumptions	175,205	113,088
Difference between actual and expected experience	(47,970)	(1,716,552)
Contributions	(74,795)	(75,571)
Ending net OPEB liability	<u>\$ 1,699,616</u>	<u>\$ 1,559,001</u>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** – The following presents the total OPEB liability of the employer calculated using the discount rate of 2.66% for 2020, 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 (1.66%)</b>	<b>Current Discount Rate (2.66%)</b>	<b>1% Increase (3.66%)</b>
<b>2020</b>			
Employers’ net OPEB liability	\$ 1,947,768	\$ 1,699,616	\$ 1,496,375

**Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate** – The following presents the total OPEB liability of the employer calculated using the health care cost trend rate of 7.50% for 2020, 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 (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<b>2020</b>			
Employers’ net OPEB liability	\$ 1,675,103	\$ 1,699,616	\$ 1,729,123

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**OPEB Expense** – For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$(78,152) and \$(41,180), 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>2020</b>		
Differences between expected and actual experience	\$ 81,970	\$ 1,375,071
Change of assumptions	233,962	163,682
Total	\$ 315,932	\$ 1,538,753
<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

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:

2021	\$ (166,327)
2022	(166,327)
2023	(166,327)
2024	(166,327)
2025	(166,328)
Thereafter	(391,185)
	\$ (1,222,821)

**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 \$1,950,638 and \$1,942,329 during the years ended June 30, 2020 and 2019, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as

# **Langston University**

## **Notes to Financial Statements**

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restricted state appropriations 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 \$37,981,331 and \$41,584,931 at June 30, 2020 and 2019, respectively.

#### ***Oklahoma City Community Foundation***

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 \$1,336,000 and \$1,341,000 for the years ended June 30, 2020 and 2019, 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 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 Board of Regents acting on behalf of the University. The State 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 dispute exists between the University and the Board of Regents as to whether these funds are an asset of the University or the Board of Regents and both entities report the funds as assets. No legal determination has been made and both entities are component units of the State.

Funds held for the benefit of the University of \$43,252,672 and \$46,929,327 at June 30, 2020 and 2019, 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 balance outstanding for general scholarship use and faculty enrichment or other such uses as approved by the 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, 2020 and 2019, the available distribution to the University from OSRHE amounted to \$1,974,238 and \$1,927,597, respectively.

#### ***Endowed Chairs Program***

The University participates in the State Regents Endowed Chairs Program. In connection with this, the State has matched contributions received under the Endowed Chairs Program. The state-match amounts plus retained accumulated earnings totaled approximately \$3,786,000 and \$3,916,000 for June 30, 2020 and 2019, respectively, and are 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 OSRHE; only the funds

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available for distribution, approximately \$325,000 and \$323,000 at June 30, 2020 and 2019, respectively, have been reflected as funds held for the benefit of the University in the accompanying statements of net position.

**Note 11: Commitments and Contingencies**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect upon the University's financial position.

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 paid that amount during FY 2020 to relieve the previously recorded liability.

***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 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.



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**Note 12: Related-Party Transactions**

The Foundation is a tax-exempt organization whose objective is the betterment of the University and its related activities. The University is the ultimate beneficiary of the Foundation. The University has entered into an agreement with the Foundation whereby the University agrees to provide certain administrative services to the Foundation in exchange for scholarships, funds for capital improvement, and other services for the benefit of the University. During the years ended June 30, 2020 and 2019, the Foundation contributed approximately \$680,000 and \$744,000, respectively, to the University, and the Foundation received in-kind services from the University in the amount of \$149,700 and \$143,629 for the years ended June 30, 2020 and 2019, respectively.

**Note 13: 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 statements 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 with donor restrictions are reclassified to net assets without donor restrictions and reported in the Foundation's statements of activities as net assets released from restrictions.

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**Notes to Financial Statements**  
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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.

***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>2020</b>	<b>2019</b>
Equity mutual funds	\$ 1,429,926	\$ 1,310,476
Fixed income mutual funds	845,493	787,340
Other mutual funds	241,735	190,600
Real estate mutual funds	41,564	38,866
	<b>\$ 2,558,718</b>	<b>\$ 2,327,282</b>

**Langston University**  
**Notes to Financial Statements**  
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Investment income is comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 63,212	\$ 53,764
Net realized and unrealized gain on investments reported at fair value	110,065	90,512
Investment fees	<u>(15,883)</u>	<u>(14,641)</u>
Total investment income	<u>\$ 157,394</u>	<u>\$ 129,635</u>

**Contributions Receivable**

A discount rate of 5% is applied to balances to be received after one year. At June 30, 2020, approximately 72% of the net contributions receivable are from a single donor of the Foundation. At June 30, 2019, approximately 65% of the net contributions receivable are from a single donor of the Foundation.

Contributions receivable consisted of the following at June 30:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>2020</b>			
Due within one year	\$ 120,097	\$ 175,000	\$ 295,097
Due within one to five years	-	225,000	225,000
	<u>120,097</u>	<u>400,000</u>	<u>520,097</u>
Unamortized discount	-	(28,114)	(28,114)
Allowance for uncollectible contributions	<u>(67,622)</u>	<u>-</u>	<u>(67,622)</u>
	<u>\$ 52,475</u>	<u>\$ 371,886</u>	<u>\$ 424,361</u>
<b>2019</b>			
Due within one year	\$ 46,345	\$ 316,861	\$ 363,206
Due within one to five years	-	450,000	450,000
	<u>46,345</u>	<u>766,861</u>	<u>813,206</u>
Unamortized discount	-	(48,204)	(48,204)
Allowance for uncollectible contributions	<u>(26,393)</u>	<u>(1,373)</u>	<u>(27,766)</u>
	<u>\$ 19,952</u>	<u>\$ 717,284</u>	<u>\$ 737,236</u>

**Langston University**  
**Notes to Financial Statements**  
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**Restricted Net Position**

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

	<b>2020</b>	<b>2019</b>
Scholarships, schools, colleges, and departments	\$ 1,728,229	\$ 1,610,314
Athletics	54,239	50,749
Unappropriated endowment earnings	916,732	798,128
Grants	115,889	180,395
Other programs and causes	50,330	24,884
	\$ 2,865,419	\$ 2,664,470

**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 the Oklahoma State Regents for Higher Education's (Regents) endowment matching program. The program was initiated by the Regents to establish faculty chairs and professorships at institutions in the Oklahoma State System of Higher Education. As required by 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 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

**Langston University**  
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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>2020</b>			
Donor-restricted endowment funds	\$ -	\$ 2,214,398	\$ 2,214,398
Available for appropriation	<u>916,732</u>	<u>-</u>	<u>916,732</u>
Total endowment funds	<u>\$ 916,732</u>	<u>\$ 2,214,398</u>	<u>\$ 3,131,130</u>
<b>2019</b>			
Donor-restricted endowment funds	\$ -	\$ 2,167,651	\$ 2,167,651
Available for appropriation	<u>798,128</u>	<u>-</u>	<u>798,128</u>
Total endowment funds	<u>\$ 798,128</u>	<u>\$ 2,167,651</u>	<u>\$ 2,965,779</u>

Changes in endowment net assets for the years ended June 30 were:

	<b>Restricted</b>	<b>Nonexpendable</b>	<b>Total</b>
<b>2020</b>			
Endowment net assets, beginning of year	<u>\$ 798,128</u>	<u>\$ 2,167,651</u>	<u>\$ 2,965,779</u>
Investment return			
Investment income, net of fees	38,417	-	38,417
Net appreciation	<u>96,697</u>	<u>-</u>	<u>96,697</u>
Total investment return	<u>135,114</u>	<u>-</u>	<u>135,114</u>
Contributions	<u>5,650</u>	<u>37,497</u>	<u>43,147</u>
Reclassification of restrictions	<u>(22,160)</u>	<u>9,250</u>	<u>(12,910)</u>
Endowment net assets, end of year	<u>\$ 916,732</u>	<u>\$ 2,214,398</u>	<u>\$ 3,131,130</u>

**Langston University**  
**Notes to Financial Statements**  
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	<u>Restricted</u>	<u>Nonexpendable</u>	<u>Total</u>
<b>2019</b>			
Endowment net assets, beginning of year	<u>\$ 661,969</u>	<u>\$ 2,138,025</u>	<u>\$ 2,799,994</u>
Investment return			
Investment income, net of fees	34,004	-	34,004
Net appreciation	<u>75,435</u>	<u>-</u>	<u>75,435</u>
Total investment return	<u>109,439</u>	<u>-</u>	<u>109,439</u>
Contributions	<u>8,990</u>	<u>47,356</u>	<u>56,346</u>
Reclassification of restrictions	<u>17,730</u>	<u>(17,730)</u>	<u>-</u>
Endowment net assets, end of year	<u><u>\$ 798,128</u></u>	<u><u>\$ 2,167,651</u></u>	<u><u>\$ 2,965,779</u></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 GAAP, deficiencies of this nature are reported in unrestricted net position and, as of June 30, 2020 and 2019, 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 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

**Langston University**  
**Notes to Financial Statements**  
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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 2020 and 2019, the Foundation did not appropriate any endowment funds as provided by the 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, 2020 and 2019, the Foundation disbursed approximately \$680,000 and \$744,000, respectively, to the University or directly to students of the University for student scholarships and various university departments.

The Foundation adopted Accounting Standards Update 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 \$150,000 and \$144,000 for the years ended June 30, 2020 and 2019, respectively. These costs were allocated to management and administrative expenses and development and community relations expenses, in the amounts of \$149,700 and \$0 for June 30, 2020, and \$139,262 and \$4,366 for June 30, 2019, 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
- 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

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***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:

	<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>2020</b>				
Equity mutual funds				
Small cap	\$ 67,943	\$ 67,943	\$ -	\$ -
Mid cap	40,369	40,369	-	-
Large cap	1,173,754	1,173,754	-	-
International	147,860	147,860	-	-
Fixed income mutual funds				
Intermediate	568,500	568,500	-	-
International	87,380	87,380	-	-
High yield	52,646	52,646	-	-
Multisector	136,967	136,967	-	-
Other mutual funds				
Market neutral	134,544	134,544	-	-
International	107,191	107,191	-	-
Real estate mutual funds	41,564	41,564	-	-
<b>Total investments</b>	<b>\$ 2,558,718</b>	<b>\$ 2,558,718</b>	<b>\$ -</b>	<b>\$ -</b>



**Langston University**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

	<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>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>

**Note 14: Subsequent Events**

In September 2020, an agreement was reached between the University and Oklahoma State University (OSU) and approved by their Board of Regents, in which OSU will pay the University a total of \$15 million over 10 years. In return, the University will discontinue most of its degree programs in Tulsa and will focus on a select few, including rehabilitation services, nursing, and an Africana studies program.

## **Required Supplementary Information**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning total pension liability	\$ 598,653	\$ 424,996	\$ 478,641	\$ 491,922
Interest	20,243	15,655	14,599	17,217
Change of assumptions	39,764	210,473	(27,394)	15,189
Difference between actual and expected experience	6,166	(9,460)	(239)	(5,076)
Benefit payments	<u>(43,871)</u>	<u>(43,011)</u>	<u>(40,611)</u>	<u>(40,611)</u>
Ending total pension liability	<u>\$ 620,955</u>	<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>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University's proportion of the net pension liability	0.4840%	0.5691%	0.4821%	0.5038%	0.4934%	0.5043%
University's proportionate share of the net pension liability	\$ 32,028,253	\$ 34,397,331	\$ 31,918,476	\$ 42,045,504	\$ 29,963,383	\$ 27,130,019
University's covered payroll	\$ 19,643,592	\$ 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 payroll	163%	170%	155%	188%	134%	118%
Plan fiduciary net position as a percentage of the total pension liability	71.56%	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 payroll amounts restated for the early implementation of GASB 82.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,183,775	\$ 2,129,283	\$ 2,100,368	\$ 1,827,120	\$ 2,140,401	\$ 2,124,440
Contributions in relation to the contractually required contribution	<u>2,183,775</u>	<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>	<u>\$ -</u>
University's covered payroll	\$ 20,433,202	\$ 19,643,592	\$ 20,231,315	\$ 20,596,587	\$ 22,392,779	\$ 22,346,462
Contributions as a percentage of covered payroll	10.69%	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, 2018, or 2019.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the net OPEB liability (asset)	0.4840%	0.5691%	0.4821%
University's proportionate share of the net OPEB liability (asset)	\$ (299,244)	\$ (367,797)	\$ (214,969)
University's covered payroll	\$ 19,643,592	\$ 20,231,315	\$ 20,596,587
University's proportion of the net OPEB liability (asset) as a percentage of its covered payroll	-1.52%	-1.82%	-1.04%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	115.07%	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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 4,113	\$ 14,362	\$ 33,350
Contributions in relation to the contractually required contribution	<u>4,113</u>	<u>14,362</u>	<u>33,350</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll	\$ 20,433,202	\$ 19,643,592	\$ 20,231,315
Contributions as a percentage of covered payroll	0.02%	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>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 33,577	\$ 26,808	\$ 361,072
Interest	54,598	119,545	84,210
Change of assumptions	175,205	113,088	(218,072)
Difference between actual and expected experience	(47,970)	(1,716,552)	108,250
Contributions	<u>(74,795)</u>	<u>(75,571)</u>	<u>(4,768)</u>
Net change in total OPEB liability	140,615	(1,532,682)	330,692
Total OPEB liability, beginning of year	<u>1,559,001</u>	<u>3,091,683</u>	<u>2,760,991</u>
Total OPEB liability, end of year	<u>\$ 1,699,616</u>	<u>\$ 1,559,001</u>	<u>\$ 3,091,683</u>
Covered payroll	\$ 17,415,175	\$ 16,866,998	\$ 20,231,315
Net OPEB liability as a percentage of covered payroll	9.76%	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.



**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 for the  
Oklahoma Agricultural and Mechanical Colleges  
Langston University  
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2020. The financial statements of Langston University Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Langston University Foundation.

***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) as a basis for designing 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.

Board of Regents for the  
Oklahoma Agricultural and Mechanical Colleges  
Langston University

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

### ***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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***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 responses. 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 result 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  
October 30, 2020

**Langston University**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2020**

<b>Reference Number</b>	<b>Finding</b>
2020-001	<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 accounting principles generally accepted in the United States. This includes segregating duties among employees.</p> <p>Condition – Multiple employees in the payroll 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 will review job duties and either reassign duties or add and/or strengthen detective controls.</p>

**Langston University**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2020**

<b>Reference Number</b>	<b>Finding</b>
2020-002	<p>Criteria or Specific Requirement – The University is responsible for establishing internal controls to reconcile federal grants 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 accounting principles generally accepted in the United States.</p> <p>Condition – While the University has made significant progress in implementing controls related to current grants, there are still grant funds drawn in excess of reported expenditures and grants receivable recorded that are for expenditures that are several years old.</p> <p>Effect – In prior years, grant funds were drawn prior to grant expenditures being incurred and were not spent within a reasonable timeframe creating unearned revenue. In addition, there are receivables recorded for grant expenditures that are several years old. Journal entries were posted to record payables for funds drawn that could not be expended and suggested for funds that may not be able to be drawn.</p> <p>Cause – In prior years, the University did not have a good process for reconciling grant expenditures and grant revenues. While new procedures are in place for current grants, there is still significant research necessary related to grants from previous periods.</p> <p>Recommendation – The University should complete research and repay funds drawn inappropriately that cannot be expended. The University should also determine the viability of various receivables that relate to expenditures from many years ago.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The Grants and Contracts Financial Administration team has been researching these errors since discovered last year, but due to the fact that they are almost a decade old and in a retired accounting system, it is very time consuming and difficult. The team will continue to research and make any corrections deemed necessary or once it is determined that all efforts have been exhausted, all corrections will be made.</p>