

Langston University

Financial Statements
and Independent Auditors' Reports

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Langston University (the University), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2017 the University adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to other postemployment benefits and pension liabilities and contributions, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining statements listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, 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 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 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.

Arlidge & Associates, P.C.

October 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

The following 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, 2017 and 2016. 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 2017 as compared to FY 2016 and 2015 was impacted by significant decreases in the capital lease obligations; market appreciation of endowment; and requirements to recognize the University's share of the Oklahoma Teachers Retirement System pension liability. The FY 2016 bond refunding and capital lease restructure produced a \$3.8 million decrease in non-current liabilities for FY 2017. The market appreciation of the endowment produced a \$2.6 million increase in non-current assets, while a pension obligation of \$42.5 million was recognized as of June 30, 2017 reflecting an increase of \$12.6 million in long-term debt. Deferred outflows of resources related to the pension obligation were recognized in the amount of \$12.4 million. Additionally, deferred inflows of resources related to the pension obligation were also recorded in the amount of \$1.5 million, reflecting differences between projected and actual earnings on pension plan investments, and to a lesser extent differences between expected and actual experience.

The resulting net position for the University amounted to \$75 million, \$73.7 million and \$63.9 million at June 30, 2017, 2016 and 2015, respectively.

- Total revenues for fiscal years ending June 30, 2017, 2016 and 2015 amounted to \$72.4 million, \$74.8 million and \$69.9 million, respectively. Operating revenues decreased by \$2.7 million, reflecting decreases in grants and contracts, net student tuition and fees and housing and meal plan revenues.
- Total expenses amounted to \$70.9 million, \$65 million and \$68.4 million for the fiscal years ending June 30, 2017, 2016 and 2015, respectively. Operating expenses increased during fiscal year 2017 by \$7.5 million reflecting an increase in employee compensation and benefits resulting from the recording of deferred pension inflows and outflows and related amortization as well as contractual services. Interest expense also declined reflecting debt service during the fiscal year and restructuring of certain capital leases in the prior fiscal year. However, market appreciation of \$3.9 million on the endowment and other investments partially offset the increase in expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

CONDENSED STATEMENTS OF NET POSITION

A comparative schedule of the University's net position for the years ended June 30, 2017, 2016, and 2015 is shown below, including the percentage of annual change:

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)	2017 vs. 2016 Percentage Change	2016 vs. 2015 Percentage Change
Assets							
Current assets	\$ 28,297,679	\$ 29,272,670	\$ 27,349,569	\$ (974,991)	\$ 1,923,101	(3.3%)	7.0%
Noncurrent assets:	135,824,888	136,804,605	141,242,432	(979,717)	(4,437,827)	(0.7%)	(3.1%)
Total assets	\$ 164,122,567	\$ 166,077,275	\$ 168,592,001	\$ (1,954,708)	\$ (2,514,726)	(12%)	(15%)
Deferred outflows of resources	\$ 12,392,095	\$ 3,630,563	\$ 2,230,566	\$ 8,761,532	\$ 1,399,997	2413%	62.8%
Liabilities							
Current liabilities	\$ 9,350,259	\$ 9,857,080	\$ 11,589,678	\$ (506,821)	\$ (1,732,598)	(5.1%)	(14.9%)
Noncurrent liabilities	89,989,929	81,702,994	87,529,538	8,286,935	(5,826,544)	10.1%	(6.7%)
Total liabilities	\$ 99,340,188	\$ 91,560,074	\$ 99,119,216	\$ 7,780,114	\$ (7,559,142)	8.5%	(7.6%)
Deferred inflows of resources	\$ 2,165,381	\$ 4,402,067	\$ 7,802,809	\$ (2,236,686)	\$ (3,400,742)	(50.8%)	(43.6%)
Net position							
Net investment in capital assets	\$ 44,715,211	\$ 44,322,856	\$ 32,657,727	\$ 392,355	\$ 11,665,129	0.9%	35.7%
Restricted	44,948,259	43,416,118	54,596,870	1,532,141	(11,180,752)	3.5%	(20.5%)
Unrestricted	(14,654,377)	(13,993,277)	(23,354,055)	(661,100)	9,360,778	4.7%	(40.1%)
Total net position	\$ 75,009,093	\$ 73,745,697	\$ 63,900,542	\$ 1,263,396	\$ 9,845,155	1.7%	15.4%

* prior year amounts not restated for MD&A purposes

FY 2017 vs. FY 2016

Total assets decreased \$2.0 million during FY 2017. Market appreciation in the endowment was offset by increased depreciation in capital assets.

Deferred outflows of resources increased by \$8.8 million primarily due to a change in assumptions and the net difference between projected and actual earnings on pension plan investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

Total liabilities increased \$7.7 million compared to the previous year, reflecting the increase in pension liabilities. Increases of its \$42.5 million share of the Oklahoma Teacher's Retirement System pension liability were offset by decreases in capital lease obligations.

Deferred Inflows of Resources decreased \$2.2 million due to the change in pension 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 \$73.7 million at June 30, 2016 to \$75 million at June 30, 2017. The increases were reflected in net investment in capital assets with the completion of the goat research barn and the market appreciation of the endowment.

FY 2016 vs. FY 2015

Total assets decreased \$2.5 million during FY 2016. Other assets decreased due to a draw-down from endowment funds that was recorded as a receivable at the end of FY 2015 but received in FY2016. This decrease was further impacted by the market depreciation of endowment and investment funds.

Deferred outflows of resources increased by \$1.4 million primarily due to University contributions made subsequent to the pension obligation measurement date of June 30, 2015.

Total liabilities decreased \$7.6 million compared to the previous year, reflecting the decreases in revenue bonds payable and OCIA capital lease obligations due to debt service and capital lease restructurings. Increases of its \$30 million share of the Oklahoma Teacher's Retirement System pension liability were offset by decreases in accounts payable, accrued liabilities and accrued compensated absences.

Deferred Inflows of Resources decreased \$3.4 million due to the change in pension 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. Deferred inflows also decreased for OCIA capital lease restructuring that occurred during FY 2016, less amortization of prior year inflows.

Net position increased from \$63.9 million at June 30, 2015 to \$73.7 million at June 30, 2016. The increases were reflected in net investment in capital assets with the completion of the physical therapy classroom building, the receipt of a donated art collection, building improvements and equipment purchases.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

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, 2017, 2016, and 2015:

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)	2017 vs. 2016 Percentage Change	2016 vs. 2015 Percentage Change
Total operating revenues	30,470,679	33,168,154	29,108,583	(2,697,475)	4,059,571	(8.1%)	13.9%
Total operating expenses	60,728,780	53,267,276	56,762,845	7,461,504	(3,495,569)	14.0%	(6.2%)
Operating loss	(30,258,101)	(20,099,122)	(27,654,262)	(10,158,979)	7,555,140	50.5%	(27.3%)
Net nonoperating revenues (expenses)	27,707,822	24,386,563	25,146,168	3,321,259	(759,605)	13.6%	(3.0%)
Income (loss) before other revenue expenses	(2,550,279)	4,287,441	(2,508,094)	(6,837,720)	6,795,535	(159.5%)	(270.9%)
Other income (expense)	4,007,418	5,557,714	4,033,430	(1,550,296)	1,524,284	(27.9%)	37.8%
Change in net position	1,457,139	9,845,155	1,525,336	(8,388,016)	8,319,819	(85.2%)	545.4%
Net position, beginning as previously reported	73,745,697	63,900,542	65,765,395	9,845,155	(1,864,853)	15.4%	(2.8%)
Restatement - See Note 1	(193,743)	-	(3,390,189)	(193,743)	3,390,189	- %	100.0%
Net position, beginning as restated	73,551,954	63,900,542	62,375,206	9,651,412	3,884,763	15.1%	6.2%
Net position, ending	<u>\$ 75,009,093</u>	<u>\$ 73,745,697</u>	<u>\$ 63,900,542</u>	<u>\$ 1,263,396</u>	<u>\$ 12,204,582</u>	<u>17%</u>	<u>19.1%</u>

* prior year amounts not restated for MD&A purposes

FY 2017 vs. FY 2016

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 2017, total revenues decreased by approximately \$2.4 million, compared to the previous year. Operating revenues decreased \$2.7 million which is substantially related to decreases in grants and contracts, net student tuition and fees and housing and meal plan revenues. These decreases were further impacted by the decrease in state appropriations and pass-through grant revenue. There were increases in nonoperating revenue, most notably market appreciation in the University's endowment.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION--
Continued

Total expenses include operating expenses as well as nonoperating expenses such as interest expense. Total expenses increased \$5.9 million for FY 2017. Operating expenses increased during fiscal year 2017 by \$7.5 million reflecting an increase in employee compensation and benefits resulting from the recording of deferred pension inflows and outflows and related amortization as well as contractual services and depreciation.

FY 2016 vs. FY 2015

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 2016, total revenues increased by approximately \$4.9 million, compared to the previous year. Operating revenues increased \$4.1 million which is substantially related to increases in grants and contracts, net student tuition and fees and housing and meal plan revenues. These increases were offset by declines in nonoperating revenue, most notably decreases in state appropriations of \$2.6 million and a decrease in state allocations of \$880 thousand to the University's endowment as the State of Oklahoma \$30.0 million commitment to the University's endowment was met in full FY 2015. Other nonoperating revenue increases were recognized in state appropriations restricted for capital purposes, OCIA on-behalf payments and capital contributions.

Total expenses include operating expenses as well as nonoperating expenses such as market depreciation on investments and interest expense. Total expenses decreased \$3.4 million for FY 2016. Operating expenses, which decreased \$3.5 million, reflected compensation and benefits declines as well as deferred pension inflows and outflows and their related amortization. The impact is reduced by increases identified in scholarships and fellowships. Nonoperating expenses reflected the \$947 thousand in market depreciation on endowment and other investments, which was substantially offset by a \$416 thousand reduction in interest expense due to debt service and capital lease restructurings.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

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, 2017, 2016, and 2015 as reflected in its financial statements.

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)	2017 vs. 2016 Percentage Change	2016 vs. 2015 Percentage Change
Cash provided by (used in):							
Operating activities	\$ (22,724,631)	\$ (21,240,020)	\$ (23,055,117)	\$ (1,484,611)	\$ 1,815,097	7.0%	(7.9%)
Noncapital financing activities	24,800,840	26,726,632	26,828,585	(1,925,792)	(101,953)	(7.2%)	(0.4%)
Capital and related financing activities	(2,921,024)	(13,581,637)	(7,591,795)	10,660,613	(5,989,842)	(78.5%)	78.9%
Investing activities	455,160	3,151,276	784,217	(2,696,116)	2,367,059	(85.6%)	301.8%
Net increase (decrease) in cash	(389,655)	(4,943,749)	(3,034,110)	4,554,094	(1,909,639)	(92.1%)	62.9%
Cash and cash equivalents:							
Beginning	22,690,285	27,634,034	30,668,144	(4,943,749)	(3,034,110)	(17.9%)	(9.9%)
Ending	\$ 22,300,630	\$ 22,690,285	\$ 27,634,034	\$ (389,655)	\$ (4,943,749)	(1.7%)	(17.9%)

FY 2017 vs. 2016

Cash and cash-equivalents amounted to \$22.3 million at June 30, 2017, a \$400 thousand decrease from the previous year. Net cash used in operating activities decreased \$1.5 million from the previous year. This decrease primarily reflects decreases in cash from tuition and fees, as well as increased salaries and benefit cost and payments to suppliers. Net cash provided by noncapital financing activities saw a decrease of \$1.9 million while net cash used by capital and related financing activities increased by \$10.6 million, reflecting payments on capital assets, reduced state appropriations restricted for capital received and reductions in debt service payments through capital lease restructuring completed in FY 2016. Cash provided by investing activities decreased by \$2.7 million, primarily reflecting net sales of investments in FY 2016.

FY 2016 vs. 2015

Cash and cash-equivalents amounted to \$22.7 million at June 30, 2016, a \$4.9 million decrease from the previous year. Net cash used in operating activities decreased \$1.8 million from the previous year. This decrease primarily reflects increases in cash from tuition and fees, as well as decreased salaries and benefit cost and payments to suppliers. Net cash provided by noncapital financing activities saw nominal change while net cash used by capital and related financing activities increased by \$6.0 million, reflecting payments on capital assets, primarily the physical therapy classroom building, and reduced state appropriations restricted for capital received. These were partially offset by reductions in debt service payments through capital lease restructuring. Cash provided by investing activities increased by \$2.4 million, primarily reflecting net sales of investments, which proceeds were substantially reinvested.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

CAPITAL ASSETS

The following table represents the University's capital assets at June 30, 2017, 2016, and 2015:

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)	2017 vs. 2016 Percentage Change	2016 vs. 2015 Percentage Change
Land	\$ 2,546,375	\$ 2,546,375	\$ 2,546,375	\$ -	\$ -	- %	- %
Construction in-progress	-	4,081,867	4,772,557	(4,081,867)	(690,690)	(100.0%)	(14.5%)
Art collection	1,550,000	1,505,000	-	45,000	1,505,000	3.0%	100.0%
Buildings and improvements	129,180,780	124,991,122	118,688,074	4,189,658	6,303,048	3.4%	5.3%
Infrastructure	5,005,299	4,897,199	3,811,606	108,100	1,085,593	2.2%	28.5%
Equipment	18,539,908	17,582,617	16,699,353	957,291	883,264	5.4%	5.3%
Library materials	4,317,739	4,317,739	4,317,739	-	-	- %	- %
Total	161,140,101	159,921,919	150,835,704	1,218,182	9,086,215	0.8%	6.0%
Less accumulated depreciation	(65,811,657)	(61,122,793)	(57,431,831)	(4,688,864)	(3,690,962)	7.7%	6.4%
Capital assets, net	\$ 95,328,444	\$ 98,799,126	\$ 93,403,873	\$ (3,470,682)	\$ 5,395,253	(3.5%)	5.8%

FY 2017 vs. 2016

Capital assets amounted to \$95.3 million at June 30, 2017, a \$3.5 million decrease from June 30, 2016. The largest increase in capital assets was reflected in a \$4.2 million increase in building and improvements, primarily for completion of the goat research barn. Other increases represent additional infrastructure and equipment purchases. Offsetting the increase in capital assets was an increase in accumulated depreciation by \$4.7 million, reflecting scheduled depreciation.

FY 2016 vs. 2015

Capital assets amounted to \$98.8 million at June 30, 2016, a \$5.4 million increase from June 30, 2015. The largest increase in capital assets was reflected in a \$6.3 million increase in building and improvement, primarily for completion of the physical therapy classroom building. Other significant increases represent an art collection donated to the university as well as additional infrastructure and equipment purchases. Offsetting the increase in capital assets was an increase in accumulated depreciation by \$3.7 million, reflecting scheduled depreciation.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY
An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

LONG-TERM LIABILITIES

The following table presents the University's long-term liabilities as of June 30, 2017, 2016, and 2015:

	2017	2016	2015	2017 vs. 2016 Increase (Decrease)	2016 vs. 2015 Increase (Decrease)	2017 vs. 2016 Percentage Change	2016 vs. 2015 Percentage Change
OCIA capital leases	\$ 11,916,640	\$ 13,234,956	\$ 14,327,955	\$ (1,311,316)	\$ (1,092,999)	(10.0%)	(7.6%)
ODFA lease obligation	34,452,749	36,601,416	6,405,333	(2,148,667)	30,196,083	(5.9%)	471.4%
Bonds payable	-	-	39,710,000	-	(39,710,000)	- %	(100.0%)
Premium on capital leases	3,234,324	3,479,039	668,233	(244,715)	2,810,806	(7.0%)	420.6%
Discount on bonds	-	-	(211,448)	-	211,448	- %	(100.0%)
Total long-term debt	49,603,713	53,315,411	60,900,073	(3,711,698)	(7,584,662)	(7.0%)	(12.5%)
Net pension obligation	42,524,145	29,963,383	27,130,019	12,560,762	2,833,364	41.9%	100.0%
Other liabilities	1,687,327	2,135,898	2,706,612	(448,571)	(570,714)	(21.0%)	(21.1%)
Total long-term liabilities	\$ 93,815,185	\$ 85,414,692	\$ 90,736,704	\$ 8,400,493	\$ (5,322,012)	9.8%	(5.9%)

FY 2017 vs. FY 2016

Long-term liabilities decreased \$3.7 million during FY17. The decrease of \$3.7 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 \$49.6 million at June 30, 2017 compared to \$53.3 million at June 30, 2016. The net pension obligation reflects a significant increase of \$12.6 million in long-term debt.

FY 2016 vs. FY 2015

Long-term liabilities decreased \$7.4 million during FY16. Long-term debt reductions include the \$7.6 million restructuring of revenue bond for housing facilities into an ODFA lease. Long-term debt obligations relating to capital leases declined to \$53.3 million at June 30, 2016 compared to \$60.9 million at June 30, 2015. The pension liability and other long-term liabilities reflect a modest increase of \$144 thousand in long-term debt.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

ECONOMIC FACTORS AND THE UNIVERSITY'S FUTURE

Modest student cost increases were implemented for Fiscal Year 2018. Tuition and mandatory fees were increased by approximately 6.4% and 8% respectively for Fiscal Year 2018. Apartment housing charges and meal plan costs were increased by 3% and 3% respectively. The student body voted to implement a \$95/semester wellness center fee which will go towards additional wellness programs and the construction of a new wellness facility. An undergraduate Oklahoma resident student living in student housing with a meal plan generally experienced a 5.74% increase in their costs, or approximately \$419 per semester. The University makes every effort to keep student costs low as possible to maintain affordability.

Enrollment for freshmen class in the of Fall 2017 remained steady while the University overall saw a slight decline in enrollment. These declines were seen on the University's urban campuses which have programs for upperclassmen only. The University continues to focus on enrollment, retention and persistence as record freshmen classes matriculate.

The Management Agreement by and between The Habitat Company, LDF Student Housing, LLC, and the University for property management services for properties financed by the 2005 and 2006 bonds was terminated on November 3, 2015. The University has elected to perform property management responsibilities in-house versus utilizing an external property manager. In the Fall of 2017, the University has experienced a slight increase in the number of students residing in campus housing.

Compensation and benefit costs are anticipated to remain relatively flat in FY 2018. Health insurance and OTRS contributions are the most significant of amounts included in employer-paid benefit options. The University pays both employer and employee contributions to the Oklahoma Teachers Retirement System ("OTRS"). No changes in contribution rates are anticipated in Fiscal Year 2018. The University did experience an increase in health insurance rates during Fiscal Year 2017, which were absorbed by the University in FY 2017. For FY 2018, the employee health insurance cost share will increase slightly. Future increases may have to be passed on to the employees.

The State of Oklahoma made its final contribution to the University's endowment in Fiscal Year 2015, completing its \$30 million commitment to the University. The University's FY 2018 budget reflects a restructuring of its budgeted expenditures to reflect endowment usage to a more sustainable level. The University's budget planned for an endowment draw during FY 2018 up to \$748 thousand to fund scholarships, enrollment and retention initiatives, and any other item deemed necessary that is approved by its governing board. In FY 2017 the University experienced significant market appreciation in the endowment. Financial markets have shown significant volatility in past years based upon national and world events. Any further market appreciation will improve the

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges

For the Years Ended June 30, 2017, 2016 and 2015

strength of the endowment and could have an impact on the amount of available endowment funds which can be distributed or used in FY 2018 and future periods.

State appropriations have been declining for the last few years. Current Oklahoma revenues are below budgeted levels, which are significantly influenced by energy prices. This continuing condition could result in a significant reduction during FY 2018 and/or FY 2019. Increases in state funding are needed in order maintain and improve the quality of the students' educational experience, without adding substantial student debt, as well as to address the increasing enrollment each year. It is always the University's intent to keep student fees as affordable as possible, while balancing the needs of the University. The University continues to be the low cost provider of quality four-year education in the State of Oklahoma. It is the University's expectation to continue to make the University an affordable option for its students.

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Statements of Net Position
June 30, 2017 and 2016**

	University		Foundation	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and cash equivalents	\$ 20,447,148	\$ 20,653,898	\$ 1,548,795	\$ 1,323,429
Restricted cash and cash equivalents	40,349	40,349	-	-
Investments	2,364,445	2,152,481	-	-
Accounts receivable, net	1,626,852	1,375,985	509,703	556,020
Contract and grant receivables	3,364,072	4,412,418	-	-
Other assets	-	-	2,628	2,956
Funds held for the benefit of the University	427,445	607,411	-	-
Interest receivable	26,181	28,941	-	-
Student loans receivable, net	1,187	1,187	-	-
Total current assets	28,297,679	29,272,670	2,061,126	1,882,405
Noncurrent Assets				
Restricted cash and cash equivalents	1,813,133	1,996,038	-	-
Investments	-	-	1,928,414	1,800,254
Funds held for the benefit of the University	38,683,311	36,009,441	-	-
Accounts receivable, net	-	-	372,325	454,595
Capital assets, net	95,328,444	98,799,126	-	-
Total noncurrent assets	135,824,888	136,804,605	2,300,739	2,254,849
Total assets	\$ 164,122,567	\$ 166,077,275	\$ 4,361,865	\$ 4,137,254
Deferred Outflows of Resources				
Related to pensions	12,392,095	3,630,563	-	-
Total deferred outflows	\$ 12,392,095	\$ 3,630,563	\$ -	\$ -

(Continued)

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Statements of Net Position (Continued)****June 30, 2017 and 2016**

Liabilities and Net Position	University		Foundation	
	2017	2016	2017	2016
Current Liabilities:				
Accounts payable	\$ 3,437,476	\$ 4,125,849	\$ 17,170	\$ 2,784
Accrued liabilities	863,558	799,056	-	-
Other current liabilities	327,436	270,738	-	-
Unearned revenues	439,115	475,250	-	-
Accrued compensated absences	457,418	474,489	-	-
Current portion of noncurrent liabilities	3,825,256	3,711,698	-	-
Total current liabilities	9,350,259	9,857,080	17,170	2,784
Noncurrent Liabilities, net of current portion				
Unearned revenues	237,500	332,500	-	-
Accrued compensated absences	1,372,254	1,423,469	-	-
Accrued OPEB obligation	77,573	379,929	-	-
Net pension obligation	42,524,145	29,963,383	-	-
Capital lease obligations payable to state agencies	45,778,457	49,603,713	-	-
Total noncurrent liabilities	89,989,929	81,702,994	-	-
Total liabilities	\$ 99,340,188	\$ 91,560,074	\$ 17,170	\$ 2,784
Deferred Inflows of Resources,				
Deferred credit on OCIA lease restructure	\$ 677,019	\$ 733,359	\$ -	\$ -
Related to pensions	1,488,362	3,668,708	-	-
	\$ 2,165,381	\$ 4,402,067	\$ -	\$ -
Net Position:				
Net investment in capital assets	\$ 44,715,211	\$ 44,322,856	\$ -	\$ -
Restricted:				
Nonexpendable	41,687,768	30,000,000	1,980,234	1,489,595
Expendable:				
Scholarships, research, instruction and other	270,335	9,493,738	2,187,796	2,079,023
Loans	603,770	417,160	-	-
Capital projects	2,386,386	3,505,220	-	-
Debt service	-	-	-	-
Unrestricted	(14,654,377)	(13,993,277)	176,665	565,852
Total net position	\$ 75,009,093	\$ 73,745,697	\$ 4,344,695	\$ 4,134,470

See Notes to Financial Statements

Langston University

(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016**

	University		Foundation	
	2017	2016	2017	2016
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of \$4,298,000 and \$4,472,000 for 2017 and 2016, respectively	\$ 8,533,195	\$ 9,183,427	\$ -	\$ -
Federal grants and contracts	12,738,524	14,447,267	-	-
State and local grants and contracts	389,775	87,806	-	-
Non-governmental grants and contracts	875,850	862,421	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of and \$2,282,000 and \$2,695,000 for 2017 and 2016, respectively	5,037,392	5,613,211	-	-
Food services, net of scholarship discounts and allowances of \$1,102,000 and \$1,206,000 for 2017 and 2016, respectively	2,271,470	2,477,431	-	-
Athletics	70,265	51,130	-	-
All other	56,442	169,512	-	-
Gifts and contributions	-	-	711,363	660,379
Other operating revenues	497,766	275,949	205,580	231,493
Total operating revenues	30,470,679	33,168,154	916,943	891,872
Operating expenses:				
Compensation and employee benefits	28,452,346	26,289,018	-	-
Contractual services	11,865,097	8,625,129	-	-
Supplies and materials	2,200,101	1,711,288	-	-
Utilities	2,352,583	2,093,677	-	-
Communications	200,285	185,413	-	-
Other operating expenses	6,262,779	6,157,910	670,919	786,301
Scholarships and fellow ships	4,608,881	4,509,974	224,636	177,687
Depreciation	4,786,708	3,694,867	-	-
Total operating expenses	60,728,780	53,267,276	895,555	963,988
Operating income (loss)	(30,258,101)	(20,099,122)	21,388	(72,116)
Nonoperating revenues (expenses):				
State appropriations	15,278,965	16,153,134	-	-
OTRS on-behalf contributions	1,460,460	1,539,159	-	-
Pass-through grant revenue	7,633,815	8,711,315	-	-
Contribution from LEDA	-	-	-	-
Charter schools program revenue	8,848,877	8,992,523	-	-
Charter schools program expenses	(8,462,314)	(8,606,700)	-	-
Investment income (loss), net	800,682	685,422	188,837	(17,211)
Other non-operating revenue	5,497	-	-	-
Gain (loss) on endowment investments	3,853,586	(947,086)	-	-
Interest expense	(1,711,746)	(2,141,204)	-	-
Net nonoperating revenues	27,707,822	24,386,563	188,837	(17,211)
Gain (loss) before other revenues, expenses, gains and losses	(2,550,279)	4,287,441	210,225	(89,327)
State appropriations restricted for capital purposes	1,998,187	2,212,753	-	-
OCA on-behalf payments	1,904,656	1,839,961	-	-
Capital contributions	104,575	1,505,000	-	-
Additions to permanent endowments	-	-	-	-
Change in net position	1,457,139	9,845,155	210,225	(89,327)
Net position, beginning of year, as previously reported	73,745,697	63,900,542	4,134,470	4,223,797
Cumulative effect of implementing GASB No. 73	(193,743)	-	-	-
Net position, beginning of year, restated	73,551,954	63,900,542	4,134,470	4,223,797
Net position, end of year	\$ 75,009,093	\$ 73,745,697	\$ 4,344,695	\$ 4,134,470

See notes to financial statements.

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Statements of Cash Flows****Years Ended June 30, 2017 and 2016**

	2017	2016
Cash Flows from Operating Activities:		
Student tuition and fees	\$ 8,025,029	\$ 11,311,013
Grants and contracts	15,052,495	12,693,691
Auxiliary enterprise charges	7,561,733	5,963,546
Other operating receipts	497,766	275,947
Payments to employees for salaries and benefits	(25,872,885)	(27,472,357)
Payments to suppliers	(27,988,769)	(24,011,860)
Net cash (used in) operating activities	(22,724,631)	(21,240,020)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts	7,034,062	7,502,767
State and local grants and contracts	986,316	1,270,731
State appropriations	15,278,965	16,153,134
Miscellaneous	1,501,497	1,800,000
Direct lending receipts	16,459,726	18,280,329
Direct lending payments	(16,459,726)	(18,280,329)
Net cash provided by noncapital financing activities	24,800,840	26,726,632
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(1,344,083)	(7,635,690)
Capital appropriations received	1,998,187	2,212,753
Proceeds of capital debt	-	34,881,915
Repayments of capital debt and leases	(2,148,667)	(41,051,469)
Interest paid on capital debt and leases	(1,426,461)	(1,989,146)
Net cash (used in) capital and related financing activities	(2,921,024)	(13,581,637)
Cash Flows from Investing Activities:		
Net purchases/sales of investments	-	2,604,739
Interest received on investments	455,160	546,537
Net cash provided by investing activities	455,160	3,151,276
Net increase (decrease) in cash and cash equivalents	(389,655)	(4,943,749)
Cash and cash equivalents:		
Beginning	22,690,285	27,634,034
Ending	\$ 22,300,630	\$ 22,690,285

(Continued)

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Statements of Cash Flows (Continued)**
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash		
(used in) Operating Activities:		
Operating loss	\$ (30,258,101)	\$ (20,099,122)
Adjustments to reconcile operating loss		
to net cash used in operating activities:		
Depreciation	4,786,708	3,694,867
On-behalf contributions to teachers' retirement system	1,460,460	1,539,159
Net loss on disposal of fixed assets	59,694	50,570
Changes in operating assets and liabilities:		
Accounts, loans and other receivables	797,480	(2,246,712)
Deferred outflows related to pensions	(8,761,532)	(1,506,123)
Accounts payable and accrued expenses	(550,933)	(1,301,305)
Unearned revenues	(131,135)	(145,182)
Deferred inflows related to pensions	(2,180,346)	(3,344,402)
Net pension liability	12,068,840	2,833,364
Other current liabilities and student deposits	56,697	(90,486)
Compensated absences and pension benefit obligation	(72,463)	(624,648)
Net cash (used in) operating activities	\$ (22,724,631)	\$ (21,240,020)
Noncash Investing, Noncapital Financing and Capital and		
Related Financing Activities:		
Principal and interest on capital debt paid		
by state agency on behalf of the University	\$ 1,904,656	\$ 1,839,961
Donation of artwork	-	1,505,000
Reconciliation of Cash and Cash Equivalents to the		
Statements of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 20,447,148	\$ 20,653,898
Restricted cash and cash equivalents	40,349	40,349
Noncurrent assets:		
Restricted cash and cash equivalents	1,813,133	1,996,038
Total cash and cash equivalents	\$ 22,300,630	\$ 22,690,285

See Notes to Financial Statements

Langston University

(An Organizational Unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges)

Notes to Financial Statements

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. The University is under the governance of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Board of Regents).

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 in turn is part of the Higher Education component unit of the State of Oklahoma.

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, the ability to significantly influence operations, acquire and take title to real and personal property in its name, appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, the University is considered an organizational unit of the Oklahoma Agricultural and Mechanical Colleges reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Prior to 2015, the University reported itself as a component unit of the State of Oklahoma. Based on an evaluation performed by management during 2015, it was determined that the University is not a legally separate entity, and therefore is not a component unit of the State. The University is an organizational unit of the Board of Regents as mentioned above.

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 30th year end and reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from 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: The Governmental Accounting Standards Board (GASB) is the recognized standard setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The University applies all applicable GASB pronouncements.

Langston University

(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

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

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

Student accounts and loans receivable are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recorded when received. A student account receivable and student loan receivable 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.

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 OSRHE endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority (OCIA) for proceeds from the capital bond improvement program allocated to the University.

Restricted cash and investments: Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, make long-term student loans, or to purchase capital or other noncurrent assets, are classified as restricted assets in the statements of net position. Restricted cash also includes assets whose use is limited and are set aside, as required by the LLC's bond indentures, for future payments of principal, interest, property repairs, or other required purposes.

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

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. There was no capitalized interest in 2017 or 2016.

Langston University

(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Compensated absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

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

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

Net position: The University's net position is classified as follows:

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - expendable: Restricted expendable net position include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Langston University

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Oklahoma Agricultural and Mechanical Colleges)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 towards restricted resources, and then towards 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, as amended. However, the University may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B). Such amounts have historically been insignificant.

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and (4) interest on institutional student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenue and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the 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 recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2017 and 2016, the University's deferred outflows of resources were comprised of deferred charges related to leases and pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2017 and 2016, the University's deferred inflows of resources were comprised of deferred credits related to leases and pensions.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (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.

Langston University

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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments:

Beginning net position for fiscal year 2017 was restated as follows:

	<u>Fiscal Year 2017</u>
Beginning net position, as previously reported	\$73,745,697
Implementation of GASB Statement No. 73	(193,743)
Beginning net positions, restated	<u>\$73,551,954</u>

New Accounting Pronouncements Adopted in Fiscal Year 2017: The University adopted the following accounting pronouncements during the year ended June 30, 2017:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

GASB Statement 73 established requirements for pensions that are not within the scope of GASB statement nos. 67 and 68; that is pension plans that are not administered through a trust. Accounting for these pension plans is essentially the same as those plans covered by a trust. The University's Supplemental Retirement Plan is subject to this new standard and as a result, the University's beginning net position as of July 1, 2016, has been reduced by \$179,035 from its previously reported net position. Amounts for 2016 have not been restated because to do so would be impractical, and therefore is not required under the new standard.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The statement applies primarily to the general purpose external financial reports of state and local government OPEB plans. For OPEB plans that do not issue separate stand-alone general purpose financial statements, additional disclosures are required by the new standard in the sponsoring government's financial statements. The standard did not impact the University's previously reported net position or change in net position.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has issued several new accounting pronouncements which will be effective for the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

Langston University

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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The University has not determined the impact of this statement; however, it is not expected to be material. This Statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB No. 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for fiscal years beginning after December 15, 2016, and should be applied retroactively. The University does not believe that GASB No. 81 will have significant impact on its financial statements.

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

GASB No. 83 was issued November 2016, under this statement a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. This Statement is effective for fiscal years beginning after June 15, 2018. The University has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement 84, *Fiduciary Activities*

GASB No. 84 was issued January 2017, and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. The University has not yet determined the impact that implementation of GASB 84 will have on its net position.

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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement 85, *Omnibus 2017*

GASB No. 85, issued March 2017, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for fiscal years beginning after June 15, 2017. The University has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86, *Certain Debt Extinguishment Issues*

GASB No. 86 was issued May 2017. The primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017. The University has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87, *Leases*

GASB No. 87 was issued June 2017. The primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. This Statement is effective for fiscal years beginning after December 15, 2019. The University has not yet determined the impact that implementation of GASB 87 will have on its net position.

Note 2. Deposits and Investments

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

At June 30, 2017 and 2016 the carrying amount of the University's deposits with the State Treasurer and other financial institutions was as follows:

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Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

	2017		2016
Deposits with the State Treasurer	\$ 22,295,630	\$	22,685,285
Total deposits	22,295,630		22,685,285
Petty cash and change funds	5,000		5,000
Total cash	\$ 22,300,630	\$	22,690,285

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

Of the \$22,295,630 and \$22,685,285 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2017 and June 30, 2016, respectively, \$16,768,300 and \$18,347,439, respectively, represent amounts held within *OK INVEST*, an internal investment pool. 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/>. An evaluation of the use and purpose of the Departments participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

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

1. Level 1 – Unadjusted quoted prices in active markets for identical assets.
2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.
3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

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Notes to Financial Statements**Note 2. Deposits and Investments (Continued)**

At June 30, 2017 and 2016, the University had the following investments:

Types of Investment	Fair Value Hierarchy	Credit Rating	Maturities	2017	2016
Mutual funds	Level 1	Not Rated	Various	\$ 2,364,445	\$ 2,152,481
				\$ 2,364,445	\$ 2,152,481

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 United States 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: All United States government obligations are held by the Federal Reserve Bank in the name of the University. The majority of the University's certificates of deposits were invested through the State Treasurer. The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.

Note 3. Accounts Receivable

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

	2017	2016
Student tuition and fees	\$ 2,970,164	\$ 1,706,494
Auxiliary enterprises and other student activities	3,817,882	4,039,046
	6,788,046	5,745,540
Less allowance for doubtful accounts	(5,161,194)	(4,369,555)
Accounts receivable, net	\$ 1,626,852	\$ 1,375,985

Langston University(An Organizational Unit of the Board of Regents for the
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Other receivables consist of the following at June 30:

	2017	2016
Grants and contracts receivable	\$ 3,364,072	\$ 4,412,418
Interest receivable	26,181	28,941
Loans receivable	1,187	1,187
Total Other receivables	\$ 3,391,440	\$ 4,442,546

Note 5. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2017:

	Balance at				Balance at
	June 30				June 30
	2016	Additions	Transfers	Retirements	2017
Capital assets not being depreciated:					
Land	\$ 2,546,375	\$ -	\$ -	\$ -	\$ 2,546,375
Artwork	1,505,000	45,000	-	-	1,550,000
Construction in-progress	4,081,867	151,160	(4,233,027)	-	-
Total capital assets not being depreciated	8,133,242	196,160	(4,233,027)	-	4,096,375
Other capital assets:					
Buildings and improvements	124,991,122	382,918	3,806,740	-	129,180,780
Infrastructure	4,897,199	108,100	-	-	5,005,299
Equipment	17,582,617	688,543	426,287	(157,538)	18,539,909
Library materials	4,317,739	-	-	-	4,317,739
Total other capital assets	151,788,677	1,179,561	4,233,027	(157,538)	157,043,727
Accumulated depreciation:					
Buildings and improvements	(40,598,422)	(3,230,552)	-	-	(43,828,974)
Infrastructure	(1,554,963)	(378,322)	-	-	(1,933,285)
Equipment	(14,651,669)	(1,177,834)	-	97,843	(15,731,660)
Library materials	(4,317,739)	-	-	-	(4,317,739)
Total accumulated depreciation	(61,122,793)	(4,786,708)	-	97,843	(65,811,658)
Capital assets, net	\$ 98,799,126	\$ (3,410,987)	\$ -	\$ (59,695)	\$ 95,328,444

Langston University(An Organizational Unit of the Board of Regents for the
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Following are the changes in capital assets for the year ended June 30, 2016:

	(Restated)				
	Balance at				Balance at
	June 30				June 30
	2015	Additions	Transfers	Retirements	2016
Capital assets not being depreciated:					
Land	\$ 2,546,375	\$ -	\$ -	\$ -	\$ 2,546,375
Artwork	\$ -	1,505,000	-	-	1,505,000
Construction in-progress	4,772,557	6,714,258	(7,404,948)	-	4,081,867
Total capital assets not being depreciated	7,318,932	8,219,258	(7,404,948)	-	8,133,242
Other capital assets:					
Buildings and improvements	118,688,074	19,414	1,121,314	-	119,828,802
Infrastructure	3,811,606	-	6,283,634	(35,721)	10,059,519
Equipment	16,699,352	902,018	-	(18,753)	17,582,617
Library materials	4,317,739	-	-	-	4,317,739
Total other capital assets	143,516,771	921,432	7,404,948	(54,474)	151,788,677
Accumulated depreciation:					
Buildings and improvements	(37,844,384)	(2,754,038)	-	-	(40,598,422)
Infrastructure	(1,377,980)	(179,662)	-	2,679	(1,554,963)
Equipment	(13,891,727)	(761,167)	-	1,225	(14,651,669)
Library materials	(4,317,739)	-	-	-	(4,317,739)
Total accumulated depreciation	(57,431,830)	(3,694,867)	-	3,904	(61,122,793)
Capital assets, net	\$ 93,403,873	\$ 5,445,823	\$ -	\$ (50,570)	\$ 98,799,126

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 \$61,625,437 at both June 30, 2017 and 2016, respectively, with accumulated depreciation of \$18,990,457 and \$20,548,703 respectively.

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Notes to Financial Statements

Note 6. Unearned Revenues

Unearned revenues consisted of the following at June 30:

	2017	2016
Student tuition and fees	\$ 344,115	\$ 380,250
Contractual agreements	332,500	427,500
Total unearned revenues	\$ 676,615	\$ 807,750

In January 2011, the University entered into a contract amendment (contract) with Sodexo Operations, LLC (Sodexo) to provide food service management to the University. As part of this contract, Sodexo agreed to make a financial investment in the University in the form of equipment purchases and full repayment of the previous commitment with Aramark Educational Services, Inc. The overall investment made by Sodexo totaled \$1,600,000, of which \$650,000 of this investment is required to be amortized over a five-year period, with the remaining \$950,000 amortized over ten years. If the University terminates Sodexo's service prior to the complete amortization of the investment, the contract requires that Sodexo be reimbursed for the unamortized portion of the investment. The unamortized portion of this commitment is \$332,500 and \$427,500 at June 30, 2017 and 2016, respectively. There is no stipulation for accrued interest relative to the Sodexo contract.

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Notes to Financial Statements

Note 7. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017	Current Portion
Capital lease obligations:					
OCIA 2010A	\$ 2,918,097	\$ -	\$ (652,662)	\$ 2,265,435	\$ 1,120,427
OCIA 2014A	6,307,699	-	(422,876)	5,884,823	-
OCIA 2014B	405,560	-	(129,918)	275,642	135,137
OCIA 2014C	3,603,600	-	(112,860)	3,490,740	115,060
ODFA Master Lease 2011B	463,000	-	(229,000)	234,000	234,000
ODFA Master Lease 2014A	5,253,166	-	(479,250)	4,773,916	494,917
ODFA Master Lease 2015A	16,927,333	-	(633,750)	16,293,583	654,333
ODFA Master Lease 2016A	13,957,917	-	(806,667)	13,151,250	826,667
	<u>49,836,372</u>	<u>-</u>	<u>(3,466,983)</u>	<u>46,369,389</u>	<u>3,580,541</u>
Plus: Premium on lease obligations	3,479,039	-	(244,715)	3,234,324	244,715
	<u>53,315,411</u>	<u>-</u>	<u>(3,711,698)</u>	<u>49,603,713</u>	<u>3,825,256</u>
Total capital lease obligations	<u>53,315,411</u>	<u>-</u>	<u>(3,711,698)</u>	<u>49,603,713</u>	<u>3,825,256</u>
Total revenue bonds payable and capital lease obligations	<u>53,315,411</u>	<u>-</u>	<u>(3,711,698)</u>	<u>49,603,713</u>	<u>3,825,256</u>
Other liabilities:					
Accrued compensated absences	1,897,958	2,124,213	(2,192,499)	1,829,672	457,418
Total other liabilities	<u>1,897,958</u>	<u>2,124,213</u>	<u>(2,192,499)</u>	<u>1,829,672</u>	<u>457,418</u>
Total noncurrent liabilities	<u>\$ 55,213,369</u>	<u>\$ 2,124,213</u>	<u>\$ (5,904,197)</u>	<u>\$ 51,433,385</u>	<u>\$ 4,282,674</u>

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Notes to Financial Statements**Note 7. Noncurrent Liabilities (Continued)**

Noncurrent liability activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016	Current Portion
Revenue bonds payable and capital lease obligations:					
Revenue bonds payable:					
LEDA Revenue Bonds, Series 2006A	\$ 19,460,000	\$ -	\$ (19,460,000)	\$ -	\$ -
LEDA Revenue Bonds, Series 2005A	20,250,000	-	(20,250,000)	-	-
	<u>39,710,000</u>	<u>-</u>	<u>(39,710,000)</u>	<u>-</u>	<u>-</u>
Less discounts on bonds	(211,448)	-	211,448	-	-
	<u>39,498,552</u>	<u>-</u>	<u>(39,498,552)</u>	<u>-</u>	<u>-</u>
Total revenue bonds payable	39,498,552	-	(39,498,552)	-	-
Capital lease obligations:					
OCIA 2005F	342,184	-	(342,184)	-	-
OCIA 2010A	3,080,464	-	(162,367)	2,918,097	652,662
OCIA 2010B	381,031	-	(381,031)	-	-
OCIA 2014A	6,307,699	-	-	6,307,699	422,876
OCIA 2014B	531,797	-	(126,237)	405,560	129,918
OCIA 2014C	3,684,780	-	(81,180)	3,603,600	112,860
ODFA Master Lease 2011B	687,000	-	(224,000)	463,000	229,000
ODFA Master Lease 2014A	5,718,333	-	(465,167)	5,253,166	479,250
ODFA Master Lease 2015A	-	17,509,000	(581,667)	16,927,333	633,750
ODFA Master Lease 2016A	-	14,240,000	(282,083)	13,957,917	806,667
	<u>20,733,288</u>	<u>31,749,000</u>	<u>(2,645,916)</u>	<u>49,836,372</u>	<u>3,466,983</u>
Plus: Premium on lease obligations	668,233	3,132,915	(322,109)	3,479,039	244,715
	<u>21,401,521</u>	<u>34,881,915</u>	<u>(2,968,025)</u>	<u>53,315,411</u>	<u>3,711,698</u>
Total capital lease obligations	21,401,521	34,881,915	(2,968,025)	53,315,411	3,711,698
Total revenue bonds payable and capital lease obligations	60,900,073	34,881,915	(42,466,577)	53,315,411	3,711,698
Other liabilities:					
Accrued compensated absences	2,522,606	2,246,596	(2,871,244)	1,897,958	474,489
Total other liabilities	2,522,606	2,246,596	(2,871,244)	1,897,958	474,489
Total noncurrent liabilities	\$ 63,422,679	\$ 37,128,511	\$ (45,337,821)	\$ 55,213,369	\$ 4,186,187

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Notes to Financial Statements

Note 7. Noncurrent Liabilities (Continued)

Revenue Bonds

The Oklahoma Development Finance Authority (ODFA) Public Facilities Program Revenue Bonds, Langston University Project, Series 2002A (the ODFA 2002 Bonds) were issued in the original amount of \$7,000,000. Principal payments of \$175,000 to \$2,075,000 are due each July 1 through 2027. Principal and interest payments are secured by a pledge of facility fees and of certain Section 13 and New College Funds annually apportioned to the University. The ODFA 2002 Bonds are a limited obligation of ODFA payable from the above pledged revenues of the University. Interest on the bonds is exempt from federal and state income taxes.

The ODFA Public Facilities Financing Program Revenue Bonds, Langston University Athletic Facilities Projects, Series 1999A (the ODFA 1999A Bonds) were issued in the original amount of \$3,500,000. Principal payments of \$20,000 to \$330,000 are due each December 1 through 2023. The ODFA 1999A Bonds are secured by a pledge of certain student facility fees, with subordinated pledge of Section 13 and New College Fund revenues. The ODFA 1999A Bonds are a limited obligation of ODFA payable from the above pledged revenues of the University. Interest on the bonds is exempt from federal and state income taxes.

In 2014, the University entered into a capital lease obligation for the ODFA Master Lease Series 2014A in the amount of \$6,325,000, to refund the ODFA Series 2002A and 1999A Revenue Bonds. The net present value of the savings for the refinance was \$890,814.

In 2005, the Langston Economic Development Authority (LEDA) issued the Langston Economic Development Authority Revenue Bonds (Langston University Student Housing/LDF Student Housing, LLC Project) Series 2005A and 2005B in the amount of \$24,720,000 for the purpose of loaning the proceeds thereof to the LLC for the purpose of financing the cost of acquiring, renovating, furnishing and equipping an existing student housing facility know as Centennial Court and to refinance the debt issued with respect to the Langston Common's student housing complex. The interest and repayment terms on these notes are the same as required by the bonds issued by LEDA. The 2005B series was paid in full at June 30, 2007.

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. The net present value of the savings for the refinance was \$2,897,666.

In 2006, LEDA issued bonds pursuant to the terms of the Langston Economic Development Authority Revenue Bonds (Langston University Student Housing/LDF Student Housing, LLC Project) indenture dated May 2, 2005. The Series 2006A and 2006B bonds were issued in the amount of \$25,535,000 for the purpose of loaning the proceeds thereof to the LLC for the purpose of financing the cost of acquiring the Scholars' Inn housing facility. LEDA issued to the Authority promissory notes on May 17, 2006 in the amount of \$25,535,000. The interest and repayment terms on these notes are the same as required by the bonds issued by LEDA. The 2006B was paid in full at June 30, 2007.

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. The net present value of the savings for the refinance was \$3,916,350.

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Notes to Financial Statements

Note 7. Noncurrent Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")

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

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

In 2015, the University's remaining 2004 lease agreement with OCIA was restructured through a refunding. OCIA issued new bonds, Series 2014B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of \$63,421 on restructuring as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2017 and 2016, the unamortized gain totaled \$26,242 and \$39,364, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$104,024, which approximates the economic savings of the transaction.

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

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

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Notes to Financial Statements

Note 7. Noncurrent Liabilities (Continued)

In 2014, the OCIA restructured the 2005F 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, 2017 and 2016, the unamortized gain totaled \$280,375 and \$301,805, respectively. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$817,087, which approximates the economic savings of the transaction.

In 2006, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2006D. Of the total bond indebtedness, the State 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 of Oklahoma on behalf of the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for University capital improvements.

In 2015, the University's remaining 2006D lease agreement with OCIA was restructured through a refunding. OCIA issued new bonds, Series 2014C, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the University has recorded a credit of \$430,320 on restructuring as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2017 and 2016, the unamortized gain totaled \$370,402 and \$392,190, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$2,610,019, which approximates the economic savings of the transaction.

Lease payments to OCIA totaling \$1,904,656 and \$1,839,961 during the years ended June 30, 2017 and 2016, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses and changes in net position.

Oklahoma Development Finance Authority Lease Obligation ("ODFA")

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

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

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Notes to Financial Statements

Note 7. Noncurrent Liabilities (Continued)

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:

	Principal	Interest	Total
Years ending June 30:			
2018	\$ 3,580,541	\$ 1,914,882	\$ 5,495,423
2019	3,454,024	1,776,372	5,230,396
2020	2,267,315	1,633,403	3,900,718
2021	2,337,451	1,557,985	3,895,436
2022	2,423,763	1,469,676	3,893,439
2023-2027	15,264,201	5,708,533	20,972,734
2028-2032	12,709,790	2,381,112	15,090,902
2033-2035	4,332,304	344,681	4,676,985
	<u>\$ 46,369,389</u>	<u>\$ 16,786,644</u>	<u>\$ 63,156,033</u>

Note 8. Retirement Plans

	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	\$ 478,641	\$ -	\$ -	\$ 27,330
OTRS Pension Obligation	42,045,504	12,392,095	1,488,362	4,427,823
Total	<u>\$ 42,524,145</u>	<u>\$ 12,392,095</u>	<u>\$ 1,488,362</u>	<u>\$ 4,455,153</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 the Oklahoma Teachers Retirement System (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/OTRS.

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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

Benefits provided - OTRS provides retirement, disability, and death benefits to members of the plan.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System 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 the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System 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 ten 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 the System, 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 the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System 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 2017 and 2016.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds.

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Notes to Financial Statements**Note 8. Retirement Plans (Continued)**

Contributions to the pension plan from the University were \$1,827,120 and \$2,140,401 for June 30, 2017 and June 30, 2016, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$1,460,460 and \$1,539,159 for June 30, 2017 and June 30, 2016, was recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017 and June 30, 2016, the University reported a liability of \$42,045,504 and \$29,963,383, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and June 30, 2015. 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 pension plan for all participating employers as of June 30, 2016 and June 30, 2015. Based upon this information, the University's proportion for June 30, 2016 and June 30, 2015 was .503809 percent and .493406 percent. For the year ended June 30, 2017 and June 30, 2016, the University recognized pension expense of \$4,427,823 and \$1,622,399, respectively.

At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 976,122
Changes of assumptions	5,062,871	-
Net difference between projected and actual earnings on pension plan investments	4,908,229	-
Changes in University's proportionate share of contributions	549,072	499,844
Differences between University contributions and proportionate share of contributions	44,803	12,396
University contributions subsequent to the measurement date	1,827,120	-
Total	<u>\$ 12,392,095</u>	<u>\$ 1,488,362</u>

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Notes to Financial Statements**Note 8. Retirement Plans (Continued)**

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,017,739
Changes of assumptions	1,434,742	-
Net difference between projected and actual earnings on pension plan investments	-	2,032,678
Changes in University's proportionate share of contributions	-	618,291
Differences between University contributions and proportionate share of contributions	55,420	-
University contributions subsequent to the measurement date	2,140,401	-
Total	<u>\$ 3,630,563</u>	<u>\$ 3,668,708</u>

The amounts of \$1,827,120 and \$2,140,401, which are reported as deferred outflows of resources related to pensions resulting from University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and June 30, 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017:

2018	\$ 1,449,585
2019	1,449,585
2020	3,089,501
2021	2,435,550
2022	652,392
	<u>\$ 9,076,613</u>

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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

Year ended June 30, 2016:		
2017	\$	(951,809)
2018		(951,809)
2019		(951,809)
2020		654,253
2021		13,801
Thereafter		8,827
		<u>\$ (2,178,546)</u>

Actuarial Assumptions- The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as of June 30, 2016 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 2.50%
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from 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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Notes to Financial Statements**Note 8. Retirement Plans (Continued)**

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.2%
Domestic Large Cap Equity	10.0%	5.8%
Domestic Mid Cap Equity	13.0%	6.3%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	6.6%
International Small Cap Equity	6.0%	6.6%
Core Plus Fixed Income	17.5%	1.6%
High-yield Fixed Income	6.0%	4.9%
Private Equity	5.0%	8.3%
Real Estate**	7.0%	4.5%
Master Limited Partnerships	7.0%	7.7%
 Total	 100.00%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase, rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality tables, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

Langston University(An Organizational Unit of the Board of Regents for the
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Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
International Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	100.00%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Discount Rate- A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2016 which was reduced from the discount rate used at June 30, 2015 of 8.00%. 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 7.5% and 8% for 2017 and 2016, respectively, 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:

For June 30, 2017:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 55,044,178	\$ 42,045,504	\$ 31,165,858

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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

For June 30, 2016:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Employers' net pension liability	\$ 41,421,258	\$ 29,963,383	\$ 20,332,518

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS.

Supplemental Retirement Plan

Plan description: The Supplemental Retirement Plan (the "Plan") is a single-employer, defined benefit pension plan administered by the College. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years' earnings, the College 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: During the fiscal year ended June 30, 2017, the University made benefit payments of \$40,611.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2017, the University reported a liability of \$478,641 for its net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017.

For the year ended June 30, 2017 the University recognized pension expense of \$27,330.

Schedule of Changes in Total Pension Liability: The University' changes in total pension liability are as follows as of June 30, 2017:

	<u>2017</u>
Beginning net pension liability	\$ 491,922
Interest	17,217
Change of assumptions	15,189
Difference between actual and expected experience	(5,076)
Benefit payments	<u>(40,611)</u>
Ending net pension liability	<u>\$ 478,641</u>

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Notes to Financial Statements

Note 8. Retirement Plans (Continued)

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Cost of living adjustment – 3.5% per year
- Discount Rate - 3.05% (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

Sensitivity of the Net Pension Liability to Change in the Discount Rate: The following presents the net pension liability of the employers calculated using the discount rate each year, 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 (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Employers' net pension liability	\$ 515,519	\$ 478,641	\$ 445,960

Note 9. Other Post-Employment Insurance Benefits

Plan description: The University pays the life insurance premiums for retired employees until death. Eligible retirees must meet the OTRS guidelines, and have been enrolled in the University's life insurance program prior to retirement. Each retiree is eligible to receive \$8,000 of life insurance coverage at a cost to the University of \$2.81 per \$1,000 of coverage. As of June 30, 2017 and 2016, there were 177 and 521 active employees and 176 and 199 retirees, respectively covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The Other Post-Employment Insurance Benefits (OPEB) Plan does not issue a stand-alone financial report.

Funding policy: Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

Annual cost and net obligation: Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In the actuarial valuations the projected unit credit method was used. The actuarial assumption included a 3.05% and 4.0% investment rate of return for 2017 and 2016, respectively. The assumption also included postretirement benefit increases, which will be funded by the University when granted. The Plan is an unfunded plan and, accordingly, no assets have been accumulated and no investment income is earned.

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Notes to Financial Statements**Note 9. Other Post-Employment Insurance Benefits (Continued)**

The University's annual life insurance costs and net obligations of the plan were as follows at June 30:

	2017	2016
Annual required contribution	\$ 13,621	\$ 17,313
Interest on OPEB obligation	2,493	3,429
Adjustment to annual required contribution	(6,670)	(7,414)
Annual life insurance cost	9,444	13,328
Contributions made	13,621	17,313
Increase (decrease) in net obligation	(4,177)	(3,985)
Net OPEB obligation, beginning of year	81,750	85,735
Net OPEB obligation, end of year	<u>\$ 77,573</u>	<u>\$ 81,750</u>

The net OPEB obligation at June 30, 2017 and 2016 is included in the OPEB obligation on the statements of net position.

Funded status and funding progress: The funded status of the plan as of June 30, 2017 and 2016, was as follows:

	2017	2016
Actuarial accrued liability (AAL)	\$ 114,228	\$ 117,098
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 114,228</u>	<u>\$ 117,098</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Annual covered payroll (active plan members)	\$ 20,596,587	\$ 22,203,799
UAAL as a percentage of annual covered payroll	0.55%	0.53%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend information:

	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
Years ending June 30:			
2015	\$ 12,660	136.8%	\$ 85,735
2016	13,328	129.9%	81,750
2017	9,444	144.2%	77,573

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Notes to Financial Statements

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 Section Thirteen State Educational Institutions Fund and 100% of the distributions of income produced by the University's New College Fund. The University received \$1,998,187 and \$2,212,753 during the years ended June 30, 2017 and 2016, respectively, which is restricted to the construction or acquisition of buildings, equipment or other capital items. These amounts are recorded as restricted state appropriations in the 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 \$38,710,108 and \$37,388,048 at June 30, 2017 and 2016, 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 \$1,223,476 and \$1,137,000 for the years ended June 30, 2017 and 2016, respectively. Payments from the Oklahoma City Community Foundation are deposited in the Langston University Foundation as received.

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

A dispute exists between Langston and the Regents as to whether these funds are an asset of Langston or the Regents and both entities report the funds as assets. No legal determination has been made and both entities are component units of the State of Oklahoma.

Funds held for the benefit of the University of \$38,683,311 and \$36,009,441 at June 30, 2017 and 2016, 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 percent 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 statements of net position. As of June 30, 2017, and 2016, the available distribution to the University from the OSRHE amounted to \$4,385,331 and \$6,880,193, respectively.

Endowed Chairs Program: The University participates in the State Regents Endowed Chairs Program. In connection with this, the State of Oklahoma has matched contributions received under the Endowed Chairs Program. The State match amounts, plus retained accumulated earnings, totaled approximately \$2,946,000 and \$2,638,000 for June 30, 2017 and 2016, respectively, and is invested by the OSRHE on behalf of the University. The University is entitled to receive an annual distribution of 4.5 percent of the market value at year end on these funds. Legal title of these endowment funds is retained by the OSRHE; only the funds available for distribution; approximately \$427,445 and \$607,000 June 30, 2017 and 2016, respectively, have been reflected as assets in the statements of net position.

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Notes to Financial Statements

Note 11. Commitments and Contingencies

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

Note 12. 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.

Note 13. Langston University, Foundation, Inc.

The following are significant disclosures of the Langston University 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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the accompanying statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Langston University

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Notes to Financial Statements

Note 13. Langston University Foundation, Inc. (Continued)**Contributions**

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

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. A discount rate of 5% is applied to balances to be received after one year. 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.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code 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 2013.

Langston University

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Notes to Financial Statements

Note 13. Langston University Foundation, Inc. (Continued)**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. As of June 30, the Foundation's investments were as follows:

	<u>2017</u>	<u>2016</u>
Equity securities		
Pooled equity mutual funds	\$ 1,035,931	\$ 924,086
Fixed income investments		
Pooled fixed income mutual funds	780,836	782,904
Open-end mutual funds	77,072	77,795
Real estate mutual funds	<u>34,575</u>	<u>15,469</u>
Total investments	<u>\$ 1,928,414</u>	<u>\$ 1,800,254</u>

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

	<u>2017</u>	<u>2016</u>
Dividends and interest income	\$ 35,081	\$ 33,383
Net realized and unrealized gain/(loss) on investments reported at fair value	153,756	(38,279)
Investment fees	<u></u>	<u>(12,315)</u>
Total investment income	<u>\$ 188,837</u>	<u>\$ (17,211)</u>

Contributions Receivable

At June 30, 2017, approximately 88% of the net contributions receivable are from a single donor of the Foundation. At June 30, 2016, approximately 97% of the net contributions receivable were from two donors of the Foundation.

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Notes to Financial Statements**

Note 13. Langston University Foundation, Inc. (Continued)

Contributions receivable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 232,718	\$ 215,000
Due in one to five years	720,000	950,000
Due in more than five years	-	25,000
	<u>952,718</u>	<u>1,190,000</u>
Allowance for doubtful accounts	-	(70,000)
Unamortized discount	<u>(70,690)</u>	<u>(109,385)</u>
	<u>\$ 882,028</u>	<u>\$ 1,010,615</u>

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Deletions</u>	<u>Ending Balance</u>
2017					
Scholarships	\$ 1,424,093	\$ 239,586	\$ (440,157)	\$ (165,526)	\$ 1,057,996
Schools, colleges and departments	117,062	64,480	374,619	(66,934)	489,227
Athletics	186,796	42,779	(107,452)	(80,853)	41,270
Unappropriated endowment earnings	316,509	178,910	66,091	(3,000)	558,510
Other programs and causes	<u>34,563</u>	<u>17,897</u>	<u>(7,537)</u>	<u>(4,130)</u>	<u>40,793</u>
	<u>\$ 2,079,023</u>	<u>\$ 543,652</u>	<u>\$ (114,436)</u>	<u>\$ (320,443)</u>	<u>\$ 2,187,796</u>

Langston University

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Notes to Financial Statements**Note 13. Langston University Foundation, Inc. (Continued)**

	Beginning Balance	Additions	Reclassifications	Deletions	Ending Balance
2016					
Scholarships	\$ 1,238,250	\$ 378,530	\$ (15,000)	\$ (177,687)	\$ 1,424,093
Schools, colleges and departments	112,267	14,873	-	(10,078)	117,062
Athletics	521,618	20,855	-	(355,677)	186,796
Unappropriated endowment earnings	326,537	(10,028)	-		316,509
Other programs and causes	41,990	7,069	-	(14,496)	34,563
	<u>\$ 2,240,662</u>	<u>\$ 411,299</u>	<u>\$ (15,000)</u>	<u>\$ (557,938)</u>	<u>\$ 2,079,023</u>

Endowment

The Foundation's endowment consists of donor-restricted gifts established for a professorship in accounting 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. For universities to be eligible to participate in the program, they are required to maintain a specified minimum amount of funds in perpetuity for a specific endowed professorship chair. As required by accounting principles generally accepted in the United States of America (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 permanently restricted 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 temporarily restricted 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(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Notes to Financial Statements**

Note 13. Langston University Foundation, Inc. (Continued)

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 assets in the endowment fund at June 30 was:

	Temporarily Restricted	Permanently Restricted	Total
2017			
Donor-restricted endowment funds	\$ -	\$ 1,980,234	\$ 1,980,234
Available for appropriation	<u>558,510</u>	<u></u>	<u>558,510</u>
Total endowment funds	<u>\$ 558,510</u>	<u>\$ 1,980,234</u>	<u>\$ 2,538,744</u>
2016			
Donor-restricted endowment funds	\$ -	\$ 1,489,595	\$ 1,489,595
Available for appropriation	<u>316,509</u>	<u>-</u>	<u>316,509</u>
Total endowment funds	<u>\$ 316,509</u>	<u>\$ 1,489,595</u>	<u>\$ 1,806,104</u>

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

	Temporarily Restricted	Permanently Restricted	Total
2017			
Endowment net assets, beginning of year	<u>\$ 316,509</u>	<u>\$ 1,489,595</u>	<u>\$ 1,806,104</u>
Investment return			
Investment income, net of fees	46,202	-	46,202
Net appreciation	132,708	-	132,708
Scholarships and Awards	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Total investment return	<u>175,910</u>	<u>-</u>	<u>175,910</u>
Contributions	<u></u>	<u>99,176</u>	<u>99,176</u>
Reclassification of restrictions	<u>66,091</u>	<u>391,463</u>	<u>457,554</u>
Endowment net assets, end of year	<u>\$ 558,510</u>	<u>\$ 1,980,234</u>	<u>\$ 2,538,744</u>

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Notes to Financial Statements**Note 13. Langston University Foundation, Inc. (Continued)**

	Temporarily Restricted	Permanently Restricted	Total
2016			
Endowment net assets, beginning of year	\$ 326,537	\$ 1,454,595	\$ 1,781,132
Investment return			
Investment income, net of fees	12,976	-	12,976
Net depreciation	(23,004)	-	(23,004)
Total investment return	(10,028)	-	(10,028)
Contributions	-	20,000	20,000
Reclassification of restrictions	-	15,000	15,000
Endowment net assets, end of year	<u>\$ 316,509</u>	<u>\$ 1,489,595</u>	<u>\$ 1,806,104</u>

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30 consisted of:

	2017	2016
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently	\$ 1,980,234	\$ 1,489,595
Temporarily restricted net assets Available for appropriation	<u>558,510</u>	<u>316,509</u>
	<u>\$ 2,538,744</u>	<u>\$ 1,806,104</u>

Permanently restricted endowment fund assets are included in investments – endowment and contributions receivable, net in the accompanying statements of financial position. The temporarily restricted net assets available for appropriation represent accumulated earnings on the permanently restricted endowment assets. 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 assets and, as of June 30, 2017 and 2016, there are no deficiencies reported in unrestricted net assets.

Langston University

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Notes to Financial Statements

Note 13. Langston University Foundation, Inc. (Continued)

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 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 2017 and 2016, the Foundation did not appropriate any endowment funds as provided by the above described spending policy.

Conditional Gifts

The Foundation has received no conditional promises to give at June 30, 2017 and 2016, which are not recognized in the accompanying financial statements.

Related-Party Transactions

The Foundation engages in various related-party transactions with other entities affiliated 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, 2017 and 2016, the Foundation disbursed \$452,756 and \$557,938, 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 \$131,000 and \$111,000 for the years ended June 30, 2017 and 2016, respectively. These costs were allocated to management and administrative expenses, and fundraising expenses in the amounts of \$98,500 and \$32,500 for June 30, 2017, and \$78,500 and \$32,500 for June 30, 2016, respectively. The contributed personnel services are based on an allocation of costs incurred by the University.

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Notes to Financial Statements

Note 13. Langston University Foundation, Inc. (Continued)**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

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:

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Notes to Financial Statements****Note 13. Langston University Foundation, Inc. (Continued)**

	2017			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017				
Cash equivalents – money market mutual funds	\$ 32,312	\$ 32,312	\$ -	\$ -
Equity securities				
Pooled equity mutual funds				
Small cap	53,568	53,568	-	-
Mid cap	243,380	243,380	-	-
Large cap	552,016	552,016	-	-
International	186,967	186,967	-	-
Fixed income mutual funds				
Short term	-	-	-	-
Intermediate	630,148	630,148	-	-
International	97,440	97,440	-	-
High yield	53,248	53,248	-	-
Open-end mutual funds				
Market neutral	19,676	19,676	-	-
International	20,128	20,128	-	-
Equity	37,268	37,268	-	-
Real estate mutual funds	34,575	34,575	-	-
	<u>\$ 1,960,726</u>	<u>\$ 1,960,726</u>	<u>\$ -</u>	<u>\$ -</u>

Langston University(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Notes to Financial Statements****Note 13. Langston University Foundation, Inc. (Continued)**

	2016			
	Fair Value Measurements Using			
	Quoted Prices			
	in Active	Significant	Significant	
	Markets for	Other	Unobservable	
	Identical	Observable	Inputs	
	Assets	Inputs	Inputs	
	(Level 1)	(Level 2)	(Level 3)	
2016	Fair Value			
Cash equivalents – money market mutual funds	\$ 119,178	\$ 119,178	\$ -	\$ -
Equity securities				
Pooled equity mutual funds				
Small cap	50,133	50,133	-	-
Mid cap	205,427	205,427	-	-
Large cap	350,457	350,457	-	-
International	318,069	318,069	-	-
Fixed income mutual funds				
Short term	121,609	121,609	-	-
Intermediate	503,353	503,353	-	-
International	101,883	101,883	-	-
High yield	56,059	56,059	-	-
Open-end mutual funds				
Market neutral	31,108	31,108	-	-
International	31,310	31,310	-	-
Equity	15,377	15,377	-	-
Real estate mutual funds	15,469	15,469	-	-
	<u>\$ 1,919,432</u>	<u>\$ 1,919,432</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2017.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market mutual funds, equity securities, fixed income mutual funds, open-end mutual funds and real estate mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments

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Notes to Financial Statements

Note 13. Langston University Foundation, Inc. (Continued)

are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. The Foundation had no Level 2 or Level 3 investments at June 30, 2017 and 2016.

Required Supplementary Information

Langston University
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

Schedules of Required Supplementary Information
SCHEDULE OF THE UNIVERSITY'S CHANGE IN TOTAL PENSION LIABILITY
SUPPLEMENTAL RETIREMENT ANNUITY
Last 10 Fiscal Years

	2017
Beginning net pension liability	\$ 491,922
Interest	17,217
Change of assumptions	15,189
Difference between actual and expected experience	(5,076)
Benefit payments	(40,611)
Ending net pension liability	<u>\$ 478,641</u>

Schedule of Funding Progress for Other Postemployment
Life Insurance Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2012	\$ -	\$ 80,497	\$ 80,497	0.00%	\$ 20,633,039	0.39%
6/30/2013	-	89,062	89,062	0.00%	19,310,530	0.46%
6/30/2014	-	90,388	90,388	0.00%	19,415,239	0.47%
6/30/2015	-	117,098	117,098	0.00%	22,533,267	0.52%
6/30/2016	-	117,098	117,098	0.00%	22,203,799	0.53%
6/30/2017	-	114,228	114,228	0.00%	20,596,587	0.55%

The actuarial liability is based on the projected unit credit cost method.

The University obtains actuarial valuations biannually in accordance with the provisions of GASB No. 45.

Langston University
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Oklahoma Agricultural and Mechanical Colleges)

Schedules of Required Supplementary Information
SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
University's proportion of the net pension liability	0.5043%	0.4934%	0.5038%
University's proportionate share of the net pension liability	\$ 27,130,019	\$ 29,963,383	\$ 42,045,504
University's covered-employee payroll	\$ 22,922,486	\$ 22,346,462	\$ 22,392,779
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.36%	134%	188%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current and two prior fiscal years are presented because 10-year data is not yet available.
Contributions and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 82.

Langston University
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Oklahoma Agricultural and Mechanical Colleges)

Schedules of Required Supplementary Information
SCHEDULE OF THE University'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years

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

Notes to Schedule:

Only the current and two prior fiscal years are presented because 10-year data is not yet available. Contribution and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 67.

Reports Required by
Government Auditing Standards
and Uniform Guidance



INDEPENDENT AUDITOR'S 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*

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 Langston University (the "University"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), a component unit of the State of Oklahoma, and its discretely presented component unit, that comprise the statement of net position, as of June 30, 2017, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, 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, 2017. Our report includes paragraphs related to the reporting entity and a change in accounting principle as described in our report on the University's financial statements. The financial statements of the Foundation 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 the 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arlidge & Associates, P.C.

October 30, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Langston University's (the "University"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2017. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2017-001 and 2017-002, that we consider to be significant deficiencies.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arlidge & Associates, P.C.

October 30, 2017

LANGSTON UNIVERSITY
 (An Organizational Unit of the Board of Regents for the
 Oklahoma Agricultural and Mechanical Colleges)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
Student Financial Assistance Cluster				
Office of Student Financial Assistance				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 6,512,467
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	215,356
Federal Work-Study Program	84.033	N/A	-	241,147
Federal Direct Student Loans	84.268	N/A	-	16,459,726
Total Student Financial Assistance - Cluster			-	23,428,696
TRIO Cluster				
Office of Postsecondary Education -				
TRIO--Upward Bound	84.047	P047A080004-11	-	242,986
Other Programs				
Office of Postsecondary Education				
Higher Education Institutional Aid	84.031	P031B120564	-	1,958,252
Higher Education Institutional Aid	84.031	P031B090213	-	224,213
Higher Education Institutional Aid	84.031	P031B090213	-	363,451
Higher Education Institutional Aid	84.031	P031B150004	-	730,805
Subtotal CFDA 84.031			-	3,276,721
Total U.S. Department of Education			-	26,948,403
Research and Development Cluster				
U.S. Department of Agriculture				
Cooperative State Research, Education, and Extension Service				
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2015-33100-08913	-	255,223
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2016-33100-08913	-	2,039,165
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2017-33100-08913	-	874
Subtotal CFDA 10.205			-	2,295,262
1890 Institution Capacity Building Grants	10.216	2014-38821-22446	-	27,544
1890 Institution Capacity Building Grants	10.216	2014-38821-22426	-	74,622
1890 Institution Capacity Building Grants	10.216	2014-38821-22432	-	62,160
1890 Institution Capacity Building Grants	10.216	2014-38821-22416	-	102,490
1890 Institution Capacity Building Grants	10.216	2012-38821-20176	6,206	106,466
1890 Institution Capacity Building Grants	10.216	2012-38821-20139	-	3,881
1890 Institution Capacity Building Grants	10.216	2014-38821-22422	-	70,247
1890 Institution Capacity Building Grants	10.216	2013-38821-21389	47,182	83,748
1890 Institution Capacity Building Grants	10.216	2010-38821-21450	-	58
1890 Institution Capacity Building Grants	10.216	2011-38821-30952	16,936	138,632
1890 Institution Capacity Building Grants	10.216	2011-38821-30951	-	301
1890 Institution Capacity Building Grants	10.216	2015-38821-24392	-	100,835
Subtotal CFDA 10.216			70,324	770,984
Agriculture and Food Research Institute (AFRI)	10.310	2015-67031-23776	-	34,532
Norman E. Borlang International Agricultural Science and Technology Fellowship	10.777	FAS# BF-CR-14-013	-	5,775
Cooperative Extension Service	10.500	2014-45100-08913	-	26
Cooperative Extension Service	10.500	2015-45100-08913	-	486,497
Cooperative Extension Service	10.500	2016-45100-08913	-	1,199,871
Cooperative Extension Service	10.500	2014-41510-08913	-	82,209
Cooperative Extension Service	10.500	2015-41510-08913	-	114,975
Cooperative Extension Service	10.500	2016-41510-08913	-	1,469
Cooperative Extension Service	10.500	2015-46000-08913	-	12,913
Cooperative Extension Service	10.500	2003-45200-01759	-	210,313
Subtotal CFDA 10.500			-	2,108,273
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443	59-2501-16-018	-	6,250
Total U.S. Department of Agriculture			70,324	5,221,076
National Science Foundation				
Education and Human Resources	47.076	1439848	-	151,963
Education and Human Resources	47.076	HRD-1408748	-	28,407
Subtotal CFDA 47.076			-	180,370
Pass-through Oklahoma State University				
Office of International Science and Engineering				
	47.079	EPSCOR-2013-4	-	24,579
Pass-through Oklahoma State University				
Office of Cyberinfrastructure				
	47.080	EPSCOR-2013-2/OIA-1301789	-	41,355
Total National Science Foundation			-	246,304

(Continued)

LANGSTON UNIVERSITY
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Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Education-Other Programs</u>				
Office of Special Education and Rehabilitation Services				
Rehabilitation Research and Training Center Program	84.133	H133B130023	340,239	1,018,666
Pass-through University of Kansas Medical Center Research Institute				
Biomedical Research and Research Training	93.859	5 P20 GM 103418-15	-	3,346
Biomedical Research and Research Training	93.859	5 P20 GM 103418-16	-	74,438
Biomedical Research and Research Training	93.859	5 P20 GM 103447-15	-	22,477
Biomedical Research and Research Training	93.859	5 P20 GM 103447-16	-	17,723
Subtotal CFDA 93.859			-	117,984
<u>U.S. Air Force</u>				
Air Force Defense Research Sciences Program	12.800	FA9550-15-1-0066	-	1,923
<u>U.S. Department of Health and Human Services</u>				
Direct Programs				
ACL National Institute on Disability, Independent Living, & Rehab Research	93.433	90AR5029-01-00	-	43,037
Total Research and Development Cluster			410,563	6,648,990
<u>U.S. Department of Health and Human Services</u>				
Direct Programs				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SP021366-02	-	174,648
<u>National Aeronautics and Space Administration</u>				
Pass-through Board of Regents, University of Oklahoma				
Science	43.001	NNX11AB54H-2011-32	-	25,650
Pass-through Board of Regents, University of Oklahoma				
Education	43.008	NNX15AK02H	-	63,209
Education	43.008	NNX15AP43A	17,898	714,390
Total National Aeronautics and Space Administration			17,898	803,249
<u>U.S. Department of Transportation</u>				
Pass-through Board of Regents, University of Oklahoma				
Highway Planning and Construction				
University Transportation Centers Program	20.701	DTRT13-G-UTC36/SUB 2014-31	-	118,955
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 428,461	\$ 34,694,245

See notes to schedule of expenditures of federal awards.

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

NOTE A—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Langston University (the “University”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C—FEDERAL DIRECT STUDENT LOAN PROGRAM

The University participates in the Federal Direct Loan Program (the “Program”), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the University to draw down cash; and the University is required to perform certain administrative functions under the Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. The University is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

Year Ended June 30, 2017

NOTE D—SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the University provided federal awards to subrecipients as follows:

Program	CFDA Number	Sub-Recipient	Amount Provided
1890 Institution Capacity Building	10.216	USDA ARS	\$ 6,206
1890 Institution Capacity Building	10.216	University of Florida	1,962
1890 Institution Capacity Building	10.216	Oklahoma State University	45,220
1890 Institution Capacity Building	10.216	Fort Valley State	16,936
Rehabilitation Research and Training Center Program	84.133	University of Massachusetts	227,653
Rehabilitation Research and Training Center Program	84.133	Alabama State University	5,396
Rehabilitation Research and Training Center Program	84.133	Little Priest College	30,510
Rehabilitation Research and Training Center Program	84.133	Mercy College	24,988
Rehabilitation Research and Training Center Program	84.133	North Carolina A & T	28,881
Rehabilitation Research and Training Center Program	84.133	University of Texas - Pan American	22,811
National Aeronautics and Space Administration-Education	43.008	Rose State	9,261
National Aeronautics and Space Administration-Education	43.008	North Texas Health Sciences	8,637
			<u>\$ 428,461</u>

LANGSTON UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements
 were in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? X yes _____ none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in
 accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster	*
Research and Development Cluster	*

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

LANGSTON UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2017

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

None to report for the June 30, 2017 period.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

**Finding 2017-001: Special Tests and Provisions - Common Origination Documentation (COD)
Reconciliation**

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR section 685.300(b) “In the program participation agreement, the school must promise to comply with the Act and applicable regulations and must agree to – (5) On a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary.”

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution’s financial records.

Condition: During our School Account Statement (SAS) data file reconciliation testwork, we noted that the University did not perform the required monthly reconciliation process for the months of September and October 2016. The months were eventually reconciled with the November 2016 reconciliation. There was no activity to reconcile for the months of July and August 2016.

Questioned Costs: Unknown

Cause and Effect: During fiscal 2017, the University experienced turnover in the financial assistance department and did not perform the required reconciliation between the SAS data file to the University’s records.

Recommendation: We recommend the University perform/review the required monthly reconciliations between the SAS data file and the University’s financial records and follow up on any differences noted.

LANGSTON UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2017

**Finding 2017-001: Special Tests and Provisions - Common Origination Documentation (COD)
Reconciliation (Cont'd)**

Management's response:

The University agrees that it did not perform School Account Statements (SAS) reconciliations for September and October 2016 until November 2016; however, all other periods were reconciled timely as required. We understand this is a critical function and we will continue to be diligent and ensure timely reconciliation of the SAS.

**Finding 2017-002: Activities Allowed or Unallowed and Allowable Costs/Cost Principles –
Standards for Documentation of Personnel Expenses**

Federal Program: CFDA # 10.205, 10.216, 10.310, 10.777, 10.500, 10.443, 47.076, 47.079, 47.080, 84.133, 93.859, 12.800, 93.433 - Research and Development Cluster

Criteria: In accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). §200.430 Compensation—personal services - requires, in part, that:

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records, in part, must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition: During our testing of a sample of twenty-five payroll expenditures, we noted that the allocation of personnel costs among federal grants for eight of the employees tested was not supported by documentation that would support how the allocation percentages were determined. The allocations used appeared to be based on allocations used in prior years as opposed to allocations based on contemporaneous information. The eight individuals were funded by CFDA # 10.205, 10.216, and 10.500.

LANGSTON UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2017

**Finding 2017-002: Activities Allowed or Unallowed and Allowable Costs/Cost Principles –
Standards for Documentation of Personnel Expenses (Cont'd)**

Questioned Costs: Unknown

Cause and Effect: The processes in place did not provide for the accumulation of information that would support the distribution of the employee's salary to more than one federal grant. Controls were in place to ensure that timecards were prepared that documented that the employee actually worked during the period. However, the information that would support how the salaries were allocated among the different USDA grants listed above, was not accumulated.

Recommendation: We recommend the University review its processes as they relate to obtaining information that support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award.

Management's response:

To enhance our current process, the University will develop and implement a new quarterly activity report. This new reporting process will be effective December 1, 2017. The quarterly activity report will incorporate the funding source and time allocated to each activity. The report will be in addition to the current time and effort report and will be reconciled with employee profiles. Adjustments to employee profiles will be made accordingly. Our incoming Grants Compliance Manager will work with each grant program to ensure implementation of this additional control measure.

LANGSTON UNIVERSITY
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Finding 2016-01: Special Tests and Provisions – Enrollment Reporting -Repeat Finding

Federal Program: CFDA # 84.063, 84.007, 84.033, 84.268 – Student Financial Aid Cluster

Criteria: The University must complete the Enrollment Reporting roster file that is placed in their Student Aid Internet Gateway (SAIG) and return the file to the U.S. Department of Education (DOE) within 15 days. At a minimum, the University must receive the file every 60 days, update the file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes back to DOE either electronically through the batch method or through the NSLDS website. (FPL, 34 CFR § 674.19; Pell, 34 CFR §690.83(b)(2); FFEL, 34 CFR § 682.610; and Direct Loan 34 CFR § 685.309).

Condition: In our withdrawal testing, in a sampling population of four students, we noted three withdrawn students did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days.

Cause and Effect: The Registrar, Institutional Research Department and Financial Aid Office are responsible for reporting all students' enrollment status. The reporting errors were caused by improper scheduling and execution of NCS transmissions for enrollment reporting. As the institution utilizes the NCS for reporting, consideration must be taken for time delays from original NSC transmission to successful receipt by the NSLDS. Additionally, care must be taken to ensure the enrollment transmissions submitted are accurate and complete. Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Recommendation: We recommend the institution prepare a schedule for transmissions that will include enrollment changes, including withdrawals, changes in enrollment status and graduation, for proper reporting to the NSLDS within the appropriate time frame of sixty days from the date the institution determined the status change. It is recommended the University consider increasing the number of NSC transmissions annually and adjusting the scheduled NSC transmission for each term.

University's Response: The University has implemented a new process for reporting to the National Student Clearinghouse every month to ensure the 60 day reporting requirement was met. As part of this process, new files are uploaded by the University's information technology (IT) department. IT sends an Error Resolution Report to Institutional Research and Planning (IRP) who then reviews and corrects the enrollment file for upload.

LANGSTON UNIVERSITY
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS--
Continued

Year Ended June 30, 2017

Finding 2016-01: Special Tests and Provisions – Enrollment Reporting -Repeat Finding (Cont'd)

IRP will develop and maintain an advance schedule for transmissions that will include enrollment changes, withdrawals, changes in student status and graduation to ensure timely reporting. IRP will continue to work with IT to ensure the accuracy and completeness of submission data. In addition, IRP will notify the office of student financial aid of all scheduled submissions and related results.

Current Status: Comment resolved.

Finding 2016-02: Direct Loan Disbursement

Federal Program: CFDA # 84.268 – Federal Direct Student Loans

Criteria: Institutions may not disburse or deliver the first installment of Direct Loans to first-year undergraduates who are first time borrowers until thirty days after the student's first day of classes (34 CFR § 668.164(f)(3)).

Condition: In our Student Financial Aid testing in a sampling population of sixty students, we noted one student who was a first-time borrower was disbursed loan funds before the required thirty days after the first day of classes.

Cause and Effect: Student financial aid is disbursed via SCT (the institution's accounting software). In this particular case there was a system error which disbursed funds too soon for a first-time borrower. Disbursing funds too early increases risk of default for an institution that already has a cohort default rate of above 15%.

Recommendation: We recommend the University flag first time borrowers in the system to ensure the system does not disburse loan funds before the prescribed date.

University's Response: Prior to the 16-17 aid processing year, the University transitioned to the new Banner ERP system. In the initial Banner setup for student financial aid, there is an option to flag first time borrowers. The University elected to utilize this flag to ensure all first-time borrowers are identified and the 30 day rule is automatically applied. This automated process will help us ensure that funds are not disbursed prior to the required thirty days after classes begin. To further ensure compliance, we have reviewed and verified several student applications in the Banner system and believe first time borrowers are clearly being identified as required. We will continue to review student applications periodically to ensure the system is properly identifying first time borrowers as designed.

Current Status: Comment resolved.