Langston University

An Organizational Unit of the Board of Regents
For the Oklahoma Agricultural and Mechanical Colleges
Financial Statements
and Independent Auditors' Reports

June 30, 2018 and 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 years ended June 30, 2018 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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.

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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, 2018 and 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the years 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 2018 the University adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 31, 2018, 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.

Arledge & Associates, P.C.

October 31, 2018

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, 2018 and 2017

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, 2018 and 2017. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the University's financial statements.

Effective July 1, 2017, the University implemented a new accounting standard, GASB Statement No.75, as described in Note 1 to the accompanying financial statements. This new standard required the University to report liabilities associated with its other post-employment benefits (OPEB) that had previously not been recognized. As a result, the University has reduced its opening net position as of July 1, 2017. Amounts for 2017 have not been restated, but are presented as originally reported, because to do so was not practical.

FINANCIAL SUMMARY

- The University's net position and changes in net position for FY 2018 as compared to FY 2017 and 2016 was impacted by significant decreases in the capital lease obligations and requirements to recognize the University's share of the Oklahoma Teachers Retirement System pension liability. The market appreciation of the endowment produced a $2.4 million increase in non-current assets, while a pension obligation of $32.3 million was recognized as of June 30, 2018 reflecting a decrease of approximately $10.2 million in long-term debt. Deferred outflows of resources related to the pension and OPEB obligation were recognized in the amount of $7 million. Additionally, deferred inflows of resources related to the pension and OPEB obligations were also recorded in the amount of $5.8 million, pensions specifically, reflecting differences between projected and actual earnings on pension plan investments, and differences between expected and actual experience.

  The resulting net position for the University amounted to $74.8 million, $75 million and $73.7 million at June 30, 2018, 2017 and 2016, respectively.

- Total revenues for fiscal years ending June 30, 2018, 2017 and 2016 amounted to $70.9 million, $72.4 million and $74.8 million, respectively. Nonoperating revenues decreased by $1.6 million, reflecting decreases in state appropriations and gains on endowment investments.

- Total expenses amounted to $68.5 million, $70.9 million and $65 million for the fiscal years ending June 30, 2018, 2017 and 2016, respectively. Operating expenses decreased during fiscal year 2018 by $2.5 million reflecting a decrease primarily in contractual services as well as in employee compensation and benefits resulting from the recording of deferred pension inflows and outflows and related amortization.

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, 2018 and 2017

CONDENSED STATEMENTS OF NET POSITION

A comparative schedule of the University's net position for the years ended June 30, 2018, 2017, and 2016 is shown below, including the percentage of annual change:

	2018	2017*	2016*	2018 vs. 2017 Increase (Decrease)	2017 vs. 2016 Increase (Decrease)	2018 vs. 2017 Percentage Change	2017 vs. 2016 Percentage Change
Assets							
Current assets	$ 31,822,882	$ 28,297,679	$ 29,272,670	$ 3,525,203	$ (974,991)	12.5%	(3.3%)
Noncurrent assets:	134,344,898	135,824,888	136,804,605	(1,479,990)	(979,717)	(1.1%)	(0.7%)
Total assets	$ 166,167,780	$ 164,122,567	$ 166,077,275	$ 2,045,213	$ (1,954,708)	1.2%	(1.2%)
Deferred outflows of resources	$ 6,951,479	$ 12,392,095	$ 3,630,563	$ (5,440,616)	$ 8,761,532	(43.9%)	241.3%
Liabilities							
Current liabilities	$ 12,481,766	$ 9,350,259	$ 9,857,080	$ 3,131,507	$ (506,821)	33.5%	(5.1%)
Noncurrent liabilities	79,072,577	89,989,929	81,702,994	(10,917,352)	8,286,935	(12.1%)	10.1%
Total liabilities	$ 91,554,343	$ 99,340,188	$ 91,560,074	$ (7,785,845)	$ 7,780,114	(7.8%)	8.5%
Deferred inflows of resources	$ 6,804,969	$ 2,165,381	$ 4,402,067	$ 4,639,588	$ (2,236,686)	214.3%	(50.8%)
Net position							
Net investment in capital assets	$ 45,494,248	$ 44,715,211	$ 44,322,856	$ 779,037	$ 392,355	1.7%	0.9%
Restricted	47,222,126	44,948,259	43,416,118	2,273,867	1,532,141	5.1%	3.5%
Unrestricted	(17,956,427)	(14,654,377)	(13,993,277)	(3,302,050)	(661,100)	22.5%	4.7%
Total net position	$ 74,759,947	$ 75,009,093	$ 73,745,697	$ (249,146)	$ 1,263,396	(0.3%)	1.7%

* prior year amounts not restated for MD&A purposes

FY 2018 vs. FY 2017

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

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

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

CONDENSED STATEMENTS OF NET POSITION--Continued

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

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

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.

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.

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, 2018, 2017, and 2016:

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, 2018 and 2017

	2018	2017*	2016*	2018 vs. 2017 Increase (Decrease)	2017 vs. 2016 Increase (Decrease)	2018 vs. 2017 Percentage Change	2017 vs. 2016 Percentage Change
Total operating revenues	30,505,368	30,470,679	33,168,154	34,689	(2,697,475)	0.1%	(8.1%)
Total operating expenses	58,153,690	60,728,780	53,267,276	(2,575,090)	7,461,504	(4.2%)	14.0%
Operating loss	(27,648,322)	(30,258,101)	(20,099,122)	2,609,779	(10,158,979)	(8.6%)	50.5%
Net nonoperating revenues (expenses)	25,995,185	27,707,822	24,386,563	(1,712,637)	3,321,259	(6.2%)	13.6%
Income (loss) before other revenue expenses	(1,653,137)	(2,550,279)	4,287,441	897,142	(6,837,720)	(35.2%)	(159.5%)
Other income (expense)	4,087,409	4,007,418	5,557,714	79,991	(1,550,296)	2.0%	(27.9%)
Change in net position	2,434,272	1,457,139	9,845,155	977,133	(8,388,016)	67.1%	(85.2%)
Net position, beginning as previously report	75,009,093	73,551,954	63,900,542	1,457,139	9,651,412	2.0%	15.1%
Restatement - See Note 1	(2,683,418)	-	-	(2,683,418)	-	100.0%	- %
Net position, beginning as restated	72,325,675	73,551,954	63,900,542	(1,226,279)	9,651,412	(1.7%)	15.1%
Net position, ending	$ 74,759,947	$ 75,009,093	$ 73,745,697	$ (249,146)	$ 1,263,396	(0.3%)	1.7%

* prior year amounts not restated for MD&A purposes

FY 2018 vs. FY 2017

Total revenues include operating revenues, state appropriations and other nonoperating revenues, such as investment gains, interest income, pass-through grants and on-behalf contributions. For FY 2018, total revenues decreased by approximately $1.5 million, compared to the previous year. Operating revenues increased $35 thousand which is primarily related to increased tuition and fees and meal plan revenues offset by decreases in grants and contracts and housing revenues. That slight increase was then offset by the decreases in state appropriations and gains on endowment investments revenue.

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 decreased $2.4 million for FY 2018. Operating expenses decreased during fiscal year 2018 by $2.5 million reflecting a decrease primarily in contractual services as well as in employee compensation and benefits resulting from the recording of deferred pension inflows and outflows and related amortization.

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.

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.

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, 2018 and 2017

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, 2018, 2017, and 2016 as reflected in its financial statements.

	2018	2017	2016	Increase (Decrease)	Increase (Decrease)	Percentage Change	Percentage Change
Cash provided by (used in):							
Operating activities	$ (21,095,502)	$ (22,724,631)	$ (21,240,020)	$ 1,629,129	$ (1,484,611)	(7.2%)	7.0%
Noncapital financing activities	23,318,695	24,800,840	26,726,632	(1,482,145)	(1,925,792)	(6.0%)	(7.2%)
Capital and related financing activities	(2,851,481)	(2,921,024)	(13,581,637)	69,543	10,660,613	(2.4%)	(78.5%)
Investing activities	523,420	455,160	3,151,276	68,260	(2,696,116)	15.0%	(85.6%)
Net increase (decrease) in cash	(104,868)	(389,655)	(4,943,749)	284,787	4,554,094	(73.1%)	(92.1%)
Cash and cash equivalents:							
Beginning	22,300,630	22,690,285	27,634,034	(389,655)	(4,943,749)	(1.7%)	(17.9%)
Ending	$ 22,195,762	$ 22,300,630	$ 22,690,285	$ (104,868)	$ (389,655)	(0.5%)	(1.7%)

FY 2018 vs. 2017

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

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 increased $1.5 million from the previous year. This increase 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 decreased 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.

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, 2018 and 2017

CAPITAL ASSETS

The following table represents the University's capital assets at June 30, 2018, 2017, and 2016:

	2018	2017	2016	2018 vs. 2017 Increase (Decrease)	2017 vs. 2016 Increase (Decrease)	2018 vs. 2017 Percentage Change	2017 vs. 2016 Percentage Change
Land	$ 2,546,375	$ 2,546,375	$ 2,546,375	$ -	$ -	- %	- %
Construction in-progress	594,399	-	4,081,867	594,399	(4,081,867)	100.0%	(100.0%)
Art collection	1,550,000	1,550,000	1,505,000	-	45,000	- %	3.0%
Buildings and improvements	129,466,322	129,180,780	124,991,122	285,542	4,189,658	0.2%	3.4%
Infrastructure	5,005,299	5,005,299	4,897,199	-	108,100	- %	2.2%
Equipment	18,616,298	18,539,908	17,582,617	76,390	957,291	0.4%	5.4%
Library materials	4,317,739	4,317,739	4,317,739	-	-	- %	- %
Total	162,096,432	161,140,101	159,921,919	956,331	1,218,182	0.6%	0.8%
Less accumulated depreciation	(69,965,547)	(65,811,657)	(61,122,793)	(4,153,890)	(4,688,864)	6.3%	7.7%
Capital assets, net	$ 92,130,885	$ 95,328,444	$ 98,799,126	$ (3,197,559)	$ (3,470,682)	(3.4%)	(3.5%)

FY 2018 vs. 2017

Capital assets amounted to $92.1 million at June 30, 2018, a $3.2 million decrease from June 30, 2017. The largest increase in capital assets was reflected in a $600 thousand increase in construction in progress, primarily for improvements to the football field and track. Other increases represent additional buildings and equipment purchases. Offsetting the increase in capital assets was an increase in accumulated depreciation by $4.2 million, reflecting scheduled depreciation.

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.

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

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

For the Years Ended June 30, 2018 and 2017

LONG-TERM LIABILITIES

The following table presents the University's long-term liabilities as of June 30, 2018, 2017, and 2016:

	2018	2017	2016	2018 vs. 2017 Increase (Decrease)	2017 vs. 2016 Increase (Decrease)	2018 vs. 2017 Percentage Change	2017 vs. 2016 Percentage Change
OCIA capital leases	$ 10,546,016	$ 11,916,640	$ 13,234,956	$ (1,370,624)	$ (1,318,316)	(11.5%)	(10.0%)
ODFA lease obligation	32,242,832	34,452,749	36,601,416	(2,209,917)	(2,148,667)	(6.4%)	(5.9%)
Premium on capital leases	2,989,609	3,234,324	3,479,039	(244,715)	(244,715)	(7.6%)	(7.0%)
Total long-term debt	45,778,457	49,603,713	53,315,411	(3,825,256)	(3,711,698)	(7.7%)	(7.0%)
Net pension obligation	32,343,472	42,524,145	29,963,383	(10,180,673)	12,560,762	(23.9%)	41.9%
Other liabilities	4,649,387	1,687,327	2,135,898	2,962,060	(448,571)	175.5%	(21.0%)
Total long-term liabilities	$ 82,771,316	$ 93,815,185	$ 85,414,692	$ (11,043,869)	$ 8,400,493	(11.8%)	9.8%

FY 2018 vs. FY 2017

Long-term debt decreased $3.8 million during FY18. The decrease of $3.8 million of long-term debt is primarily due to the annual payment of principal and interest. Long-term debt obligations relating to capital leases declined to $45.8 million at June 30, 2018 compared to $49.6 million at June 30, 2017. The net pension obligation reflects a significant decrease of $10.2 million in long-term debt.

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.

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

ECONOMIC FACTORS AND THE UNIVERSITY'S FUTURE

Enrollment trends at Langston University are showing a slow and steady increase. The freshmen class that enrolled in the fall of 2018 was the second largest class in the last 5 years at the institution. Greater emphasis has been placed on recruiting rural Oklahoma and the surrounding states. Furthermore, the institution has partnered with a national institute to increase the number of transfer students that enroll and graduate from our urban campuses in Oklahoma City and Tulsa.

Compensation and benefit costs are anticipated to remain relatively flat in FY 2019. However, the University did institute a $1,200 pay increase for all full-time regular employees for FY19. This total increase in compensation expense for these respective pay increases is approximately $372,000.

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, 2018 and 2017

	University		Foundation	
Assets	**2018**	**2017**	**2018**	**2017**
Current Assets				
Cash and cash equivalents	$ 21,217,660	$ 20,447,148	$ 1,804,544	$ 1,548,795
Restricted cash and cash equivalents	40,349	40,349	-	-
Investments	2,484,721	2,364,445	-	-
Accounts receivable, net	1,915,563	1,626,852	302,241	509,703
Contract and grant receivables	5,785,705	3,364,072	-	-
Other assets	-	-	1,739	2,628
Funds held for the benefit of the University	345,248	427,445	-	-
Interest receivable	32,449	26,181	-	-
Student loans receivable, net	1,187	1,187	-	-
Total current assets	31,822,882	28,297,679	2,108,524	2,061,126
Noncurrent Assets				
Restricted cash and cash equivalents	937,753	1,813,133	-	-
Investments	-	-	2,133,536	1,928,414
Restricted net OPEB asset	214,969	-	-	-
Funds held for the benefit of the University	41,061,291	38,683,311	-	-
Accounts receivable, net	-	-	457,343	372,325
Capital assets, net	92,130,885	95,328,444	-	-
Total noncurrent assets	134,344,898	135,824,888	2,590,879	2,300,739
Total assets	$ 166,167,780	$ 164,122,567	$ 4,699,403	$ 4,361,865
Deferred Outflows of Resources				
Related to OPEB	$ 142,876	$ -	$ -	$ -
Related to pensions	6,808,603	12,392,095	-	-
Total deferred outflows	$ 6,951,479	$ 12,392,095	$ -	$ -

(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, 2018 and 2017

	University		Foundation	
Liabilities and Net Position	**2018**	**2017**	**2018**	**2017**
Current Liabilities:				
Accounts payable	$ 4,256,870	$ 3,437,476	$ 15,105	$ 17,170
Accrued liabilities	962,734	863,558	-	-
Accrued contingent losses	2,200,000	-	-	-
Other current liabilities	314,450	327,436	-	-
Unearned revenues	577,238	439,115	-	-
Accrued compensated absences	471,735	457,418	-	-
Current portion of noncurrent liabilities	3,698,739	3,825,256	-	-
Total current liabilities	12,481,766	9,350,259	15,105	17,170
Noncurrent Liabilities, net of current portion				
Unearned revenues	142,500	237,500	-	-
Accrued compensated absences	1,415,204	1,372,254	-	-
Total OPEB liability	3,091,683	77,573	-	-
Net pension obligation	32,343,472	42,524,145	-	-
Capital lease obligations payable to state agencies	42,079,718	45,778,457	-	-
Total noncurrent liabilities	79,072,577	89,989,929	-	-
Total liabilities	$ 91,554,343	$ 99,340,188	$ 15,105	$ 17,170
Deferred Inflows of Resources				
Deferred credit on OCIA lease restructure	$ 620,680	$ 677,019	$ -	$ -
Related to OPEB	387,984	-	-	-
Related to pensions	5,796,305	1,488,362	-	-
	$ 6,804,969	$ 2,165,381	$ -	$ -
Net Position:				
Net investment in capital assets	$ 45,494,248	$ 44,715,211	$ -	$ -
Restricted:				
Nonexpendable	30,000,000	30,000,000	2,138,025	1,980,234
Expendable:				
Scholarships, research, instruction and other	13,776,995	11,958,103	2,393,425	2,187,796
Loans	616,303	603,770	-	-
Capital projects	2,791,865	2,386,386	-	-
OPEB	36,963	-	-	-
Unrestricted	(17,956,427)	(14,654,377)	152,848	176,665
Total net position	$ 74,759,947	$ 75,009,093	$ 4,684,298	$ 4,344,695

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, 2018 and 2017

	University		Foundation	
	2018	**2017**	**2018**	**2017**
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of $4,557,000 and $4,298,000 for 2018 and 2017, respectively	$ 8,946,773	$ 8,533,195	$ -	$ -
Federal grants and contracts	12,649,268	12,738,524	-	-
State and local grants and contracts	131,897	389,775	-	-
Non-governmental grants and contracts	809,336	875,850	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of and $2,351,000 and $2,282,000 for 2018 and 2017, respective	4,687,802	5,037,392	-	-
Food services, net of scholarship discounts and allowances of $1,130,000 and $1,102,000 for 2018 and 2017, respectively	2,347,779	2,271,470	-	-
Athletics	89,577	70,265	-	-
All other	377,506	56,442	-	-
Gifts and contributions	-	-	793,141	711,363
Other operating revenues	465,430	497,766	198,085	205,580
Total operating revenues	30,505,368	30,470,679	991,226	916,943
Operating expenses:				
Compensation and employee benefits	27,982,240	28,452,346	-	-
Contractual services	8,300,124	11,865,097	-	-
Supplies and materials	1,980,080	2,200,101	-	-
Utilities	2,222,096	2,352,583	-	-
Communications	205,568	200,285	-	-
Other operating expenses	6,998,580	6,262,779	581,829	670,919
Repayment of federal funding	2,200,000	-	-	-
Scholarships and fellowships	3,734,106	4,608,881	211,410	224,636
Depreciation	4,530,896	4,786,708	-	-
Total operating expenses	58,153,690	60,728,780	793,239	895,555
Operating income (loss)	(27,648,322)	(30,258,101)	197,987	21,388
Nonoperating revenues (expenses):				
State appropriations	14,294,908	15,278,965	-	-
OTRS on-behalf contributions	1,344,571	1,460,460	-	-
Pass-through grant revenue	7,870,674	7,633,815	-	-
Charter schools program revenue	9,087,811	8,848,877	-	-
Charter schools program expenses	(8,690,046)	(8,462,314)	-	-
Investment income (loss), net	788,230	800,682	141,616	188,837
Other non-operating revenue	7,348	5,497		
Gain (loss) on endowment investments	2,905,517	3,853,586	-	-
Interest expense	(1,613,828)	(1,711,746)	-	-
Net nonoperating revenues	25,995,185	27,707,822	141,616	188,837
Gain (loss) before other revenues, expenses, gains and losses	(1,653,137)	(2,550,279)	339,603	210,225
State appropriations restricted for capital purposes	2,172,354	1,998,187	-	-
OCIA on-behalf payments	1,915,055	1,904,656	-	-
Capital contributions	-	104,575	-	-
Change in net position	2,434,272	1,457,139	339,603	210,225
Net position, beginning of year, as previously reported	75,009,093	73,551,954	4,344,695	4,134,470
Cummulative effect of implementing GASB No. 75	(2,683,418)	-	-	-
Net position, beginning of year, restated	72,325,675	73,551,954	4,344,695	4,134,470
Net position, end of year	$ 74,759,947	$ 75,009,093	$ 4,684,298	$ 4,344,695

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Student tuition and fees	$ 8,677,627	$ 8,025,029
Grants and contracts	11,168,867	15,052,495
Auxiliary enterprise charges	7,526,220	7,561,733
Other operating receipts	465,430	497,766
Payments to employees for salaries and benefits	(26,409,632)	(25,872,885)
Payments to suppliers	(22,524,014)	(27,988,769)
Net cash (used in) operating activities	(21,095,502)	(22,724,631)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts	7,333,608	7,034,062
State and local grants and contracts	934,830	986,316
State appropriations	14,294,908	15,278,965
Miscellaneous	755,349	1,501,497
Direct lending receipts	16,531,078	16,459,726
Direct lending payments	(16,531,078)	(16,459,726)
Net cash provided by noncapital financing activities	23,318,695	24,800,840
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(1,443,467)	(1,344,083)
Capital appropriations received	2,172,354	1,998,187
Repayments of capital debt and leases	(2,209,917)	(2,148,667)
Interest paid on capital debt and leases	(1,370,451)	(1,426,461)
Net cash (used in) capital and related financing activities	(2,851,481)	(2,921,024)
Cash Flows from Investing Activities:		
Interest received on investments	523,420	455,160
Net cash provided by investing activities	523,420	455,160
Net increase (decrease) in cash and cash equivalents	(104,868)	(389,655)
Cash and cash equivalents:		
Beginning	22,300,630	22,690,285
Ending	$ 22,195,762	$ 22,300,630

(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, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash		
(used in) Operating Activities:		
Operating loss	$ (27,648,322)	$ (30,258,101)
Adjustments to reconcile operating loss		
to net cash used in operating activities:		
Depreciation	4,530,896	4,786,708
On-behalf contributions to teachers' retirement system	1,344,571	1,460,460
Net loss on disposal of fixed assets	80,000	59,694
Changes in operating assets and liabilities:		
Accounts, loans and other receivables	(2,710,344)	797,480
Restricted net OPEB asset	(214,969)	-
Deferred outflows related to pensions and OPEB	5,440,616	(8,761,532)
Accounts payable and accrued expenses	3,148,700	(550,933)
Unearned revenues	43,122	(131,135)
Deferred inflows related to pensions and OPEB	4,695,927	(2,180,346)
Net pension liability	(10,180,673)	12,068,840
Total OPEB liability	330,692	-
Other current liabilities and student deposits	(12,985)	56,697
Compensated absences and pension benefit obligation	57,267	(72,463)
Net cash (used in) operating activities	$ (21,095,502)	$ (22,724,631)
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	$ 1,915,055	$ 1,904,656
Reconciliation of Cash and Cash Equivalents to the		
Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 21,217,660	$ 20,447,148
Restricted cash and cash equivalents	40,349	40,349
Noncurrent assets:		
Restricted cash and cash equivalents	937,753	1,813,133
Total cash and cash equivalents	$ 22,195,762	$ 22,300,630

See 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 (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 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.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Investments: The University accounts for its investments at fair value based on quoted market prices. Changes in the fair value of investments are reported as a component of investment income in the 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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:

<u>Operating revenues</u>: 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.

<u>Nonoperating revenues</u>: 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, 2018 and 2017, the University's deferred outflows of resources were comprised of deferred charges related to pensions and OPEB.

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, 2018 and 2017, the University's deferred inflows of resources were comprised of deferred credits related to leases, pensions and OPEB.

OPEB: For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Cumulative effect of change in accounting principle:
Beginning net position for fiscal year 2018 was restated as follows:

	Fiscal Year 2018
Beginning net position, as previously reported	$75,009,093
Implementation of GASB Statement No. 75	(2,683,418)
Beginning net positions, restated	$72,325,675

New accounting pronouncement adopted in fiscal year 2018: The University adopted the following new accounting pronouncements during the year ended June 30, 2018:

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's OPEB plans are subject to this new standard and as a result, the University's beginning net position as of July 1, 2017, has been reduced by $2,683,418 from its previously reported net position. Amounts for 2017 have not been restated because to do so would be impractical, and therefore is not required under the new standard.

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.

Note 2. Deposits and Investments (Continued)

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

	2018	2017
Deposits with the State Treasurer	$ 22,192,362	$ 22,295,630
Total deposits	22,192,362	22,295,630
Petty cash and change funds	3,400	5,000
Total cash	$ 22,195,762	$ 22,300,630

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 $22,192,362 and $22,295,630 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2018 and June 30, 2017, respectively, $15,610,187 and $16,768,300, 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 U.S. 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.

The University had the following investments at June 30,

Types of Investment	Fair Value Hierarchy	Credit Rating	Maturities	2018	2017
Mutual funds	Level 1	Not Rated	N/A	$ 2,484,721	$ 2,364,445
				$ 2,484,721	$ 2,364,445

Note 2. Deposits and Investments (Continued)

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:

	2018	2017
Student tuition and fees	$ 4,919,262	$ 2,970,164
Auxiliary enterprises and other student activities	3,699,325	3,817,882
	8,618,587	6,788,046
Less allowance for doubtful accounts	(6,703,024)	(5,161,194)
Accounts receivable, net	$ 1,915,563	$ 1,626,852

Note 4. Other Receivables

Other receivables consist of the following at June 30:

	2018	2017
Grants and contracts receivable	$ 5,785,705	$ 3,364,072
Interest receivable	32,449	26,181
Loans receivable	1,187	1,187
	$ 5,819,341	$ 3,391,440

Note 5. Capital Assets

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

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

Note 5. Capital Assets (Continued)

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

	Balance at June 30 2016	Additions	Transfers	Retirements	Balance at June 30 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 asset 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

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, 2018 and 2017, respectively, with accumulated depreciation of $22,106,949 and $18,990,457 respectively.

Note 6. Unearned Revenues

Unearned revenues consisted of the following at June 30:

	2018	2017
Student tuition and fees	$ 482,238	$ 344,115
Contractual agreements	237,500	332,500
Total unearned revenues	$ 719,738	$ 676,615

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 $237,500 and $332,500 at June 30, 2018 and 2017, respectively. There is no stipulation for accrued interest relative to the Sodexo contract.

Note 7. Noncurrent Liabilities

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

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018	Current Portion
Capital lease obligations:					
OCIA 2010A	$ 2,265,435	$ -	$ (1,120,427)	$ 1,145,008	$ 1,145,008
OCIA 2014A	5,884,823	-	-	5,884,823	13,181
OCIA 2014B	275,642	-	(135,137)	140,505	140,505
OCIA 2014C	3,490,740	-	(115,060)	3,375,680	118,580
ODFA Master Lease 2011B	234,000	-	(234,000)	-	-
ODFA Master Lease 2014A	4,773,916	-	(494,917)	4,278,999	518,000
ODFA Master Lease 2015A	16,293,583	-	(654,333)	15,639,250	670,833
ODFA Master Lease 2016A	13,151,250	-	(826,667)	12,324,583	847,917
	46,369,389	-	(3,580,541)	42,788,848	3,454,024
		-			
Plus: Premium on lease obligations	3,234,324	-	(244,715)	2,989,609	244,715
		-			
Total capital lease obligations	49,603,713	-	(3,825,256)	45,778,457	3,698,739
Other liabilities:					
Accrued compensated absences	1,829,672	2,124,213	(2,066,946)	1,886,939	471,735
Total other liabilities	1,829,672	2,124,213	(2,066,946)	1,886,939	471,735
Total noncurrent liabilities	$ 51,433,385	$ 2,124,213	$ (5,892,202)	$ 47,665,396	$ 4,170,474

Note 7. Noncurrent Liabilities (Continued)

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
	49,836,372	-	(3,466,983)	46,369,389	3,580,541
Plus: Premium on lease obligations	3,479,039	-	(244,715)	3,234,324	244,715
Total capital lease obligations	53,315,411	-	(3,711,698)	49,603,713	3,825,256
Other liabilities:					
Accrued compensated absences	1,897,958	2,124,213	(2,192,499)	1,829,672	457,418
Total other liabilities	1,897,958	2,124,213	(2,192,499)	1,829,672	457,418
Total noncurrent liabilities	$ 55,213,369	$ 2,124,213	$ (5,904,197)	$ 51,433,385	$ 4,282,674

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, 2018 and 2017, the unamortized gain totaled $13,122 and $26,242, 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.

Note 7. Noncurrent Liabilities (Continued)

In 2014, the OCIA restructured the 2005F issue by issuing new bonds Series 2014A. This restructuring was a partial refunding and resulted in a credit of $350,021 between the remaining liability of 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, 2018 and 2017, the unamortized gain totaled $258,945 and $280,375, 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, 2018 and 2017, the unamortized gain totaled $348,613 and $370,402, 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 $1,915,055 and $1,904,656 during the years ended June 30, 2018 and 2017, 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.

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:			
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	3,013,723	1,399,656	4,413,379
2024-2028	15,238,852	5,053,632	20,292,484
2029-2033	11,141,249	1,811,986	12,953,235
2034-2035	2,912,471	169,052	3,081,523
	$ 42,788,848	$ 14,871,762	$ 57,660,610

Note 8. Retirement Plans

A summary of the University's pensions follows as of and for the years ended June 30, 2018 and 2017:

	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	$ 424,996	$ -	$ -	$ (13,034)
OTRS Pension Obligation	31,918,476	6,808,603	5,796,305	3,180,788
Total	$ 32,343,472	$ 6,808,603	$ 5,796,305	$ 3,167,754

Note 8. Retirement Plans (Continued)

June 30, 2017	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	$ 42,524,145	$ 12,392,095	$ 1,488,362	$ 4,455,153

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/TRS.

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.

Note 8. Retirement Plans (Continued)

- 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 2018 and 2017.

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 8.55% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds.

Contributions to the pension plan from the University were $2,100,368 and $1,827,120 for the years ended June 30, 2018 and June 30, 2017, respectively. The State of Oklahoma also made on-behalf contributions to OTRS totaling $1,344,571 and $1,460,460 for the years ended June 30, 2018 and June 30, 2017, respectively. 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, 2018 and June 30, 2017, the University reported a liability of $31,918,476 and $42,045,504, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and June 30, 2016. 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, 2018 and June 30, 2017. Based upon this information, the University's proportion for June 30, 2017 and June 30, 2016 was .482056 and .503809 percent. For the years ended June 30, 2018 and June 30, 2017, the University recognized pension expense of $3,180,788 and $4,427,823, respectively.

Note 8. Retirement Plans (Continued)

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,179,159
Changes of assumptions	3,787,845	1,908,027
Net difference between projected and actual earnings on OPEB plan investments	453,708	-
Changes in proportion	432,496	1,553,012
County contributions during measurement date	34,186	156,107
County benefit payments subsequent to the measurement date	2,100,368	-
Total	$ 6,808,603	$ 5,796,305

Note 8. Retirement Plans (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	$ 12,392,095	$ 1,488,362

The amounts of $2,100,368 and $1,827,120, 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, 2019 and June 30, 2018, 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, 2018:		
2019	$	(558,773)
2020		1,010,344
2021		384,625
2022		(1,319,346)
2023		(604,920)
	$	(1,088,070)

Note 8. Retirement Plans (Continued)

Year ended June 30, 2017:			
	2018	$	1,449,585
	2019		1,449,585
	2020		3,089,501
	2021		2,435,550
	2022		652,392
		$	9,076,613

Actuarial Assumptions: The total pension liability as of June 30, 2018 and 2017, was determined based on an actuarial valuation prepared as of June 30, 2017 and 2016 respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from 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%.

Note 8. Retirement Plans (continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100%	

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

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2017 are summarized below:

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%	

* 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, 2017 and June 30, 2016, respectively. 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.

Note 8. Retirement Plans (Continued)

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*-**The following presents the net pension liability of the employers calculated using the discount rate of 7.5% for 2018 and 2017, 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, 2018:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	$ 45,409,182	$ 31,918,476	$ 21,836,865

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

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

Supplemental Retirement Plan

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

Funding policy: The University made benefit payments of $40,611 for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. This plan is on a pay as you go basis.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: The University reported a liability of $424,996 and $478,641 at June 30, 2018 and 2017 respectively, for its net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of June 30, 2018 and 2017.

The University recognized pension (benefit) expense of ($13,034) and $27,330 for the years ended June 30, 2018 and 2017 respectively.

Note 8. Retirement Plans (Continued)

Schedule of Changes in Total Pension Liability: The University's changes in total pension liability are as follows as of June 30, 2018:

	2018
Beginning net pension liability	$ 478,641
Interest	14,599
Change of assumptions	(27,394)
Difference between actual and expected experience	(239)
Benefit payments	(40,611)
Ending net pension liability	$ 424,996

The University's changes in total pension liability are as follows as of June 30, 2017:

	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	$ 478,641

Actuarial Assumptions: The total pension liability as of June 30, 2018 and 2017, was determined based on an actuarial valuation prepared as of June 30, 2018 and 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 – 3.88% (2018) and 3.05% (2017) (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

Note 8. Retirement Plans (Continued)

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:

2018

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employer's net pension liability	$ 454,849	$ 424,996	$ 398,335

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Employer's net pension liability	$ 515,519	$ 478,641	$ 445,960

Note 9. Other Post-Employment Insurance Benefits

Summary of Net OPEB Obligation

A summary of the University's OPEB plan follows as of and for the year ended June 30, 2018

	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
Death Benefit Plan	$ 97,204	$ -	$ 18,079	$ 5,822
Health Insurance Benefit Plan	2,994,479	109,526	191,899	430,090
OTRS OPEB Plan	(214,969)	33,350	178,006	(8,405)
Total	$ 2,876,714	$ 142,876	$ 387,984	$ 427,507

Due to this being the first year of implementation and lack of prior year information, only one year of OPEB information is provided in the following footnotes.

OTRS OPEB Plan

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

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

Note 9. Other Post-Employment Insurance Benefits (Continued)

Contributions: Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 8; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 1.56% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the University were $33,350.

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: - At June 30, 2018, the University reported an asset of $214,969 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The University's proportion of the net OPEB asset was based on the University's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the University's proportion was .48205% percent.

For the year ended June 30, 2018, the University recognized OPEB (benefit) expense of ($8,405). At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 57,700
Net difference between projected and actual earnings on OPEB plan investments	-	117,911
Differences between University contributions and proportionate share of contributions	-	2,395
University contributions subsequent to the measurement date	33,350	-
Total	$ 33,350	$ 178,006

Note 9. Other Post-Employment Insurance Benefits (Continued)

The $33,350 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	$	(40,607)
2020		(40,607)
2021		(40,607)
2022		(40,607)
2023		(11,129)
Thereafter		(4,449)
Total	$	(178,006)

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

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from 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%.

Note 9. Other Post-Employment Insurance Benefits (Continued)

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10	6.1%
Total	100.00%	

** 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 OPRB liability (asset) as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's net opeb liability (asset)	$ (8,998)	$ (214,969)	$ (391,070)

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

Health Insurance Benefit Plan

Plan description: The University's defined benefit OPEB plan, Health Insurance Benefit Plan, provides OPEB to eligible retirees and their dependents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Note 9. Other Post-Employment Insurance Benefits (Continued)

Benefits provided: The University provides medical benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This Plan allows employees who retire from the University to continue to be covered under the University's Health Insurance Plan until age 65. The retired participant must pay the active participant's premium. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the University.

Employees covered by benefit terms: At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees (Participants)	331
Retired Participants	0
Total	331

Total OPEB Liability: The University's total OPEB liability of $2,994,479 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age: 63
- Healthcare cost trend rates - Level 5.00% per year
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.3%
30	4.8%
35	4.5%
40	3.8%
45	3.2%
50	1.5%
55	0.3%
60	0.0%

Note 9. Other Post-Employment Insurance Benefits (Continued)

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

		2018
Beginning total OPEB liability, as restated pursuant to GASB 75	$	2,646,762
Service cost		356,771
Interest		80,726
Change of assumptions		(209,156)
Difference between actual and expected experience		119,376
Ending net pension liability	$	2,994,479

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employer's net opeb liability (asset)	$ 3,253,548	$ 2,994,479	$ 2,763,251

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Employer's net opeb liability (asset)	$ 2,684,738	$ 2,994,479	$ 3,365,467

OPEB Expense: For the year ended June 30, 2018, the University recognized OPEB expense of $430,090. The University also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 109,526	$ -
Changes of assumptions	-	191,899
Total	$ 109,526	$ 191,899

Note 9. Other Post-Employment Insurance Benefits (Continued)

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

Year ended June 30:		
2019	$	(7,407)
2020		(7,407)
2021		(7,407)
2022		(7,407)
2023		(7,407)
Thereafter		(45,338)
Total	$	(82,373)

Death Benefit Plan

Plan description: The University's defined benefit OPEB plan, Death Benefit Plan, provides OPEB to eligible retirees and their dependents. The University's Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: The University pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College's life insurance program prior to retirement.

Each retiree is eligible to receive $8,000 of life insurance coverage at a cost to the College of $0.26 per $1,000 of coverage. As of June 30, 2018, there were approximately 287 active employees and 206 retirees covered under the life insurance program. The OPEB Plan does not issue a stand-alone financial report.

Total OPEB Liability: The University's total OPEB liability for the Death Benefits Plan of $97,204 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

Note 9. Other Post-Employment Insurance Benefits (Continued)

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

		2018
Beginning total OPEB liability, as restated pursuant to GASB 75	$	114,229
Service cost		4,301
Interest		3,484
Change of assumptions		(8,916)
Difference between actual and expected experience		(11,126)
Contributions		(4,768)
Ending net pension liability	$	97,204

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employer's net opeb liability (asset)	$ 107,120	$ 97,204	$ 88,810

OPEB Expense: For the year ended June 30, 2018, the University recognized OPEB expense of $5,822. The University also reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 10,036
Changes of assumptions	-	8,043
Total	$ -	$ 18,079

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

Year ended June 30:

2019	$	(1,963)
2020		(1,963)
2021		(1,963)
2022		(1,963)
2023		(1,963)
Thereafter		(8,264)
Total	$	(18,079)

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 $2,172,354 and $1,998,187 during the years ended June 30, 2018 and 2017, 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 $39,935,708 and $38,710,108 at June 30, 2018 and 2017, 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 $1,280,000 and $1,223,000 for the years ended June 30, 2018 and 2017, respectively. Legal title is retained by the Oklahoma City Community Foundation and payments 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 $41,061,291 and $38,683,311 at June 30, 2018 and 2017, 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, 2018, and 2017, the available distribution to the University from OSRHE amounted to $3,554,886 and $4,385,331, respectively.

Endowed Chairs Program: The University participates in the State Regents Endowed Chairs Program. In connection with this, the State of Oklahoma has matched contributions received under the Endowed Chairs Program. The State match amounts, plus retained accumulated earnings, totaled approximately $3,185,000 and $2,946,000 for June 30, 2018 and 2017, respectively, and is invested by 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 $345,000 and $427,000 June 30, 2018 and 2017, respectively, have been reflected as assets in the statements of net position.

Note 11. Commitments and Contingencies

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

Langston University is currently being audited by the United States Department of Agriculture (USDA) with reference to the use of funds provided by the USDA through a multi-year Evans Allen Extension grant. The audit has not yet been finalized, with a conditional preliminary report having been received by the University only on September 20, 2018. The preliminary report does not contain any specific findings of monetary liability being required to be repaid to the USDA by the University. The University has established a $2.2 million contingent liability based on its estimated exposure to these claims.

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 12. 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 position. Other investment return is reflected in the accompanying statements of activities as unrestricted, expendable, or non-expendable based upon the existence and nature of any donor or legally imposed restrictions.

Note 12. Langston University Foundation, Inc. (Continued)

Expendable and Non-expendable Net position

Expendable net position are those assets whose use by the Foundation has been limited by donors to a specific time period or purpose. Non-expendable net position has been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

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

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

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

Contributed Services

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

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 2014.

Future Accounting Guidance

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ASU No. 2016-14 *Not-for-Profit Entities (Topic 958)*. This update will affect reporting requirements related to net asset classes, cash flow presentation, liquidity and expense information, among other disclosures. The new guidance will be effective for the Foundation's year ending June 30, 2019. The ASU permits application of the new not-for-profit guidance to be applied on a retrospective basis in the year that the ASU is first applied. The Foundation has not yet determined the potential effects of the new standard on the financial statements, if any.

Note 12. 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. The Foundation's investments were as follows as of June 30,

	2018	2017
Equity mutual funds	$ 1,328,179	$ 1,035,931
Fixed income mutual funds	586,199	780,836
Other mutual funds	182,566	77,072
Real estate	36,592	34,575
	$ 2,133,536	$ 1,928,414

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

	2018	2017
Divedends and interest income	$46,836	$35,081
Net realized and unrealized gain/(loss) on investments reported at fair value	94,780	153,756
Total investment income	$141,616	$188,837

Contributions Receivable

A discount rate of 5% is applied to balances to be received after one year. At June 30, 2018, approximately 90% of the net contributions receivable are from a single donor of the Foundation. At June 30, 2017, approximately 88% of the net contributions receivable were from a single donor of the Foundation.

Note 12. Langston University Foundation Inc. (Continued)

Contributions receivable consisted of the following at June 30:

	2018			
	Unrestricted	Expendable	Non-expendable	Total
Due within one year	$ -	$ 202,241	$ 100,000	$ 302,241
Due in one to five years	-	300,000	200,000	500,000
	-	502,241	300,000	802,241
Unamortized discount	-	(28,598)	(14,059)	(42,657)
	$ -	$ 473,643	$ 285,941	$ 759,584

	2017			
	Unrestricted	Expendable	Non-expendable	Total
Due within one year	$ -	$ 132,718	$ 100,000	$ 232,718
Due in one to five years	-	420,000	300,000	720,000
	-	552,718	400,000	952,718
Unamortized discount	-	(43,015)	(27,675)	(70,690)
	$ -	$ 509,703	$ 372,325	$ 882,028

Note 12. Langston University Foundation Inc. (Continued)

Expendable Net position

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

	Beginning Balance	Additions	Reclassifications	Deletions	Ending Balance
2018					
Scholarships	$ 1,057,996	$ 200,831	$ -	$ (170,575)	$ 1,088,252
Schools, colleges and departments	489,227	94,042	-	(71,474)	511,795
Athletics	41,270	65,428	-	(36,899)	69,799
Unappropriated endowment earnings	558,510	132,393	-	(28,934)	661,969
Grants	-	37,500	-	(10,932)	26,568
Other programs and causes	40,793	7,881	-	(13,632)	35,042
	$ 2,187,796	$ 538,075	$ -	$ (332,446)	$ 2,393,425

	Beginning Balance	Additions	Reclassifications	Deletions	Ending Balance
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	34,563	17,897	(7,537)	(4,130)	40,793
	$ 2,079,023	$ 543,652	$ (114,436)	$ (320,443)	$ 2,187,796

Note 12. Langston University Foundation, Inc. (Continued)

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 position 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 non-expendable net position (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 expendable net position 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
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

Note 12. Langston University Foundation, Inc. (Continued)

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

	Expendable	Non-expendable	Total
2018			
Donor-restricted endowment funds	$ -	$ 2,138,025	$ 2,138,025
Available for appropriation	661,969		661,969
Total endowment funds	$ 661,969	$ 2,138,025	$ 2,799,994
2017			
Donor-restricted endowment funds	$ -	$ 1,980,234	$ 1,980,234
Available for appropriation	558,510	-	558,510
Total endowment funds	$ 558,510	$ 1,980,234	$ 2,538,744

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

	Expendable	Non-expendable	Total
2018			
Endowment net assets, beginning of year	$ 558,510	$ 1,980,234	$ 2,538,744
Investment return			
Investment income, net of fees	15,881	-	15,881
Net appreciation	104,234	-	104,234
Scholarships and Awards	(34,400)	-	(34,400)
Total investment return	85,715	-	85,715
Contributions	17,744	157,791	175,535
Reclassification of restrictions	-	-	-
Endowment net assets, end of year	$ 661,969	$ 2,138,025	$ 2,799,994

Note 12. Langston University Foundation, Inc. (Continued)

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

Non-expendable endowment fund assets are included in investments – endowment and contributions receivable, net restricted for long-term purposes line items in the accompanying statements of financial position. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net position and, as of June 30, 2018 and 2017, there are no deficiencies reported in unrestricted net position.

Note 12. 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 2018 and 2017, the Foundation did not appropriate any endowment funds as provided by the above described spending policy.

Related-Party Transactions

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

The Foundation appropriates program receipts and designated contributions from donors to the University or directly to students of the University. For the years ended June 30, 2018 and 2017, the Foundation disbursed $363,945 and $452,755, 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 for the years ended June 30, 2018 and 2017. These costs were allocated to management and administrative expenses, and fundraising expenses in the amounts of $98,500 and $32,500 for June 30, 2018 and June 30, 2017. The contributed personnel services are based on an allocation of costs incurred by the University.

Note 12. 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:

		2018 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)
2018				
Cash equivalents – money market mutual funds	$ 5,157	$ 5,157	$ -	$ -
Equity mutual funds				
Small cap	94,935	94,935	-	-
Mid cap	280,638	280,638	-	-
Large cap	677,084	677,084	-	-
International	275,522	275,522	-	-
Fixed income mutual funds				
Intermediate	377,068	377,068	-	-
International	77,091	77,091	-	-
High yield	38,913	38,913	-	-
Multisector	93,127	93,127		
Other mutual funds				
Market neutral	53,399	53,399	-	-
International	64,042	64,042	-	-
Equity	65,125	65,125	-	-
Real estate mutual funds	36,592	36,592	-	-
	$ 2,138,693	$ 2,138,693	$ -	$ -

Note 12. 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:

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

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Recurring Measurements

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

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Large cap	677,084	677,084	-	-
International	275,522	275,522	-	-
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High yield	38,913	38,913	-	-
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Market neutral	53,399	53,399	-	-
International	64,042	64,042	-	-
Equity	65,125	65,125	-	-
Real estate mutual funds	36,592	36,592	-	-
	$ 2,138,693	$ 2,138,693	$ -	$ -

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	2018
Beginning net pension liability	$ 491,922	$ 478,641
Interest	17,217	14,599
Change of assumptions	15,189	(27,394)
Difference between actual and expected experience	(5,076)	(239)
Benefit payments	(40,611)	(40,611)
Ending net pension liability	$ 478,641	$ 424,996

Notes to Schedule:

Only the current and previous fiscal year is presented because 10-year data is not yet available.

Langston University
(An Organizational Unit of the Board of Regents for the
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*

	2015	2016	2017	2018
University's proportion of the net pension liability	0.5043%	0.4934%	0.5038%	0.4821%
University's proportionate share of the net pension liability	$ 27,130,019	$ 29,963,383	$ 42,045,504	$ 31,918,476
University's covered-employee payroll	$ 22,922,486	$ 22,346,462	$ 22,392,779	$ 20,596,587
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.36%	134%	188%	155%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%

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

Notes to Schedule:

Only the current and three 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
(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 CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM PENSION
Last 10 Fiscal Years

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

Notes to Schedule:

Only the current and three prior fiscal years are presented because 10-year data is not yet available.

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

Schedules of Required Supplementary Information
SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years*

	2018
University's proportion of the net OPEB liability (asset)	0.4821%
University's proportionate share of the net OPEB liability (asset)	$ (214,969)
University's covered-employee payroll	$ 20,596,587
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.04%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%

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

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

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 CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years

	2018
Contractually required contribution	$ 33,350
Contributions in relation to the contractually required contribution	33,350
Contribution deficiency (excess)	$ -
University's covered-employee payroll	$ 20,231,315
Contributions as a percentage of covered-employee payroll	0.16%

Notes to Schedule:

Only the current and three prior fiscal years are presented because 10-year data is not yet available.

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

Schedule of Changes in Total OPEB Liability and Related Ratios **Last 10 Fiscal Years**
Health Insurance Benefit Plan

	2018
Total OPEB liability	
Service cost	$ 356,771
Interest	80,726
Change in assumptions	(209,156)
Differences between expected and actual experience	119,376
Net change in total OPEB liability	347,717
Total OPEB liability - beginning	2,646,762
Total OPEB liability - ending (a)	$ 2,994,479
Covered employee payroll	$ 20,231,315
Net OPEB liability (asset) as a percentage of covered-employee payroll	14.80%

Notes to Schedule:

Only the current year is presented because 10-year data is not yet available.

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

Schedule of Changes in Total OPEB Liability and Related Ratios **Last 10 Fiscal Years**
Death Benefit Plan

	2018
Total OPEB liability	
Service cost	$ 4,301
Interest	3,484
Change in assumptions	(8,916)
Differences between expected and actual experience	(11,126)
Contributions	(4,768)
Net change in total OPEB liability	(17,025)
Total OPEB liability - beginning	114,229
Total OPEB liability - ending (a)	$ 97,204
Covered employee payroll	$ 20,231,315
Net OPEB liability (asset) as a percentage of covered-employee payroll	0.48%

Notes to Schedule:

Only the current year is presented because 10-year data is not yet available.

Reports Required by *Government Auditing Standards* and Uniform Guidance

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018, 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 31, 2018. 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 Langston University Foundation (the "Foundation"), the University's discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-001 that we consider to be a material weakness.

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Compliance and Other Matters

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

University's Response to Findings

The University's response to the finding identified in our engagement is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Arledge & Associates, P.C.

October 31, 2018

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018. 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, 2018.

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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 2018-002, 2018-003, 2018-004, and 2018-005. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2018-005 to be a material weakness.

A *significant deficiency in internal control* over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-002, 2018-003, 2018-004 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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 31, 2018, 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.

Arledge & Associates, P.C.

October 31, 2018

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, 2018

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Federal Expenditures*
U.S. Department of Education				
Student Financial Assistance Cluster				
Office of Student Financial Assistance				
Federal Pell Grant Program	84.063	N/A	$ -	$ 6,775,910
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	210,460
Federal Work-Study Program	84.033	N/A	-	190,747
Federal Direct Student Loans	84.268	N/A	-	16,531,078
Total Student Financial Assistance - Cluster			-	23,708,195
TRIO Cluster				
Office of Postsecondary Education - TRIO--Upward Bound	84.047	P047A080004-11	-	51,870
Other Programs				
Office of Postsecondary Education				
Higher Education Institutional Aid	84.031	P031B120564	-	631,053
Higher Education Institutional Aid	84.031	P031B090213	-	299,093
Higher Education Institutional Aid	84.031	P031B090213	-	141,362
Higher Education Institutional Aid	84.031	P031B150004	-	693,164
Higher Education Institutional Aid	84.031	P031B170010	-	1,394,053
Subtotal CFDA 84.031			-	3,158,725
Total U.S. Department of Education			-	**26,918,790**
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	-	127,772
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2016-33100-08913	-	555,069
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2017-33100-08913	-	1,555,652
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	2017-33100-08913	-	102,188
Subtotal CFDA 10.205			-	2,340,681
1890 Institution Capacity Building Grants	10.216	2014-38821-22446	-	29,584
1890 Institution Capacity Building Grants	10.216	2014-38821-22426	-	111,868
1890 Institution Capacity Building Grants	10.216	2014-38821-22432	-	126,750
1890 Institution Capacity Building Grants	10.216	2014-38821-22416	-	258,129
1890 Institution Capacity Building Grants	10.216	2012-38821-20139	-	74,702
1890 Institution Capacity Building Grants	10.216	2014-38821-22422	-	16,667
1890 Institution Capacity Building Grants	10.216	2013-38821-21389	-	147,802
1890 Institution Capacity Building Grants	10.216	2010-38821-21450	-	1,802
1890 Institution Capacity Building Grants	10.216	2011-38821-26445	-	32,101
1890 Institution Capacity Building Grants	10.216	2011-38821-26428	-	90,109
1890 Institution Capacity Building Grants	10.216	2015-38821-24392	-	109,352
Subtotal CFDA 10.216			107,785	998,866
Agriculture and Food Research Institutive (AFRI)	10.310	2015-67031-23776	-	56,145
Cooperative Extension Service	10.500	2014-45100-08913	-	6,872
Cooperative Extension Service	10.500	2015-45100-08913	-	53,280
Cooperative Extension Service	10.500	2016-45100-08913	-	682,096
Cooperative Extension Service	10.500	2014-41510-08913	-	1,048,609
Cooperative Extension Service	10.500	2016-41510-08913	-	940
Cooperative Extension Service	10.500	2015-46000-08913	-	190,721
Subtotal CFDA 10.500			-	1,982,518
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranch	10.443	59-2501-16-018	-	51,150
Scientific Cooperation and Research	10.961	FX17SR-10961R002	-	33,450
Total U.S. Department of Agriculture			107,785	5,462,810
National Science Foundation				
Education and Human Resources	47.076	1439848	-	132,008
Education and Human Resources	47.076	HRD-1408748	-	25,806
Subtotal CFDA 47.076			-	157,814
Pass-through Oklahoma State University				
Office of International Science and Engineering	47.079	EPSCOR-2013-4	-	647
Pass-through Oklahoma State University				
Office of Cyberinfrastructure	47.080	EPSCOR-2013-2/OIA-1301789	-	27,892
Total National Science Foundation			-	186,353

(Continued)

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, 2018

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Federal Expenditures*
U.S. Department of Health and Human Services				
Pass-through University of Kansas Medical Center Research Institute				
Biomedical Research and Research Training	93.859	5 P20 GM 103418-16	-	207
Biomedical Research and Research Training	93.859	6 P20 GM 103418-17	-	74,711
Subtotal CFDA 93.859			-	74,918
Direct Programs				
Geriatric Workforce Enhancement Program GWEP	93.969		-	13,408
ACL National Institute on Disability, Independent Living, & Rehab Research	93.433	90RT5024	-	871,081
ACL National Institute on Disability, Independent Living, & Rehab Research	93.433	90AR5029-01-00	-	160,958
Subtotal CFDA 93.433			175,662	1,032,039
Total U.S. Department of Health and Human Services			175,662	1,120,365
Total Research and Development Cluster			**283,447**	**6,769,528**
U.S. Department of Health and Human Services				
Direct Programs				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SP021366-02	-	144,861
National Aeronautics and Space Administration				
Pass-through Board of Regents, University of Oklahoma				
Science	43.001	NNX11AB54H-2011-32	-	9,188
Pass-through Board of Regents, University of Oklahoma				
Education	43.008	NNX15AK02H	-	84,046
Education	43.008	NNX15AP43A	-	642,958
Total National Aeronautics and Space Administration			50,032	736,192
U.S. Department of Transportation				
Pass-through Board of Regents, University of Oklahoma				
Highway Planning and Construction				
University Transportation Centers Program	20.701	DTRT13-G-UTC36/SUB 2014-31	-	40,077
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 333,479**	**$ 34,609,448**

See notes to schedule of expenditures of federal awards.

LANGSTON UNIVERSITY
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

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, 2018. 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 the cost principles contained in the Uniform Guidance, 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.

LANGSTON UNIVERSITY
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

Year Ended June 30, 2018

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	Lincoln University	$	6,726
1890 Institution Capacity Building	10.216	Oklahoma State University		101,059
Rehabilitation Research and Training Center Program	93.433	University of Massachusetts		87,790
Rehabilitation Research and Training Center Program	93.433	Jackson State University		4,685
Rehabilitation Research and Training Center Program	93.433	Little Priest College		10,570
Rehabilitation Research and Training Center Program	93.433	Mercy College		24,899
Rehabilitation Research and Training Center Program	93.433	North Carolina A & T		22,595
Rehabilitation Research and Training Center Program	93.433	University of Texas - Pan American		24,422
Rehabilitation Research and Training Center Program	93.433	University of Texas - Rio Grande		701
National Aeronautics and Space Administration-Education	43.008	University of Oklahoma		19,311
National Aeronautics and Space Administration-Education	43.008	Rose State		9,885
National Aeronautics and Space Administration-Education	43.008	North Texas Health Sciences		20,836
			$	333,479

LANGSTON UNIVERSITY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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?	_X_ yes	_____ 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?	_X_ yes	_____ 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:

Program	CFDA Number
Student Financial Assistance Cluster	*
Higher Education Institutional Aid	84.031

*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

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

Finding 2018-001: Internal Control Over Financial Reporting

Criteria: The University should maintain a system of internal controls that ensures financial transactions are timely recorded, that all accounts are timely reconciled, and that all adjustments are recorded in order to generate accurate and timely financial reports.

Condition: The accounting department did not have adequate measures in place to ensure transactions were recorded in a timely manner, reconciliations were complete, and drawdowns of federal funds were completed on a monthly basis. Policies and procedures were not formalized regarding the processing and recording of transactions to provide guidance for both existing and new employees. This impacted the University's ability to prepare accurate and timely financial reports for use in managing the operations of the University. The lack of formal processes and training have impacted the University's ability to timely request reimbursement drawdowns from grantors as well as make timely payments to its vendors.

Cause and Effect: The lack of documented procedures and training in key fiscal processes has impacted the performance of new and existing employees. These issues along with accounting department turnover in the last year has resulted in their inability to prepare timely and accurate financial information for use in managing the operation of the University.

Recommendation: We recommend that the University take steps to begin rebuilding the accounting department function. Processes should be reviewed, evaluated and documented in writing to ensure that all transactions are processed and recorded in a timely and methodic manner, to ensure timely reconciliation of accounts, and the preparation of accurate and timely reports. Staffing levels should be evaluated, and all existing and any new employees should be properly trained. The University should consider utilizing resources available to it through either outside consultants or shared services available through Oklahoma State University.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. The Fiscal and Administrative (F&A) Division is currently undergoing an evaluation of financial processes, and procedures. LU is currently exploring options for shared services with Oklahoma State University and to engage with an external consulting firm to support financial reporting and accounting activities. LU will evaluate staffing levels and plan to fill critical positions.

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

Finding 2018-002: Special Tests and Provisions – Enrollment Reporting

Federal Program: CFDA # 84.063, 84.007, 84.033, 84.268 – Student Financial Assistance 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 graduate testing, in a sampling population of five students, we noted five graduated students that did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days.

Questioned Costs: None

Cause and Effect: The Academic Research and Financial Aid Offices are responsible for reporting all students' enrollment status. The reporting errors were caused by miscommunication of duties. The Academic Research department was under the impression the Financial Aid department was performing this function and vice versa.

Recommendation: We recommend the institution monitor adherence to the procedures that need to be followed when a student graduates from the University. This will allow the University to report enrollment changes to the NSLDS within the appropriate period of sixty days from the date the institution determined the status change. It is recommended the University consider evaluating the procedure regarding reporting graduates to the NSLDS and update the procedure as necessary to ensure compliance with enrollment reporting requirements.

Management's response: Langston University (LU) Administration agrees with the cause and effect as well as the recommendation as outlined. The Office of Institutional Research has been assigned responsibility for the NSLDS reporting of enrollment changes. LU will closely monitor adherence to this procedure.

Finding 2018-003: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Standards for Documentation of Personnel Expenses

Federal Program: CFDA # 84.031 – Higher Education Institutional Aid

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 between the federal grant and other funding sources for two of the employees tested was not supported by documentation that would indicate how the allocation percentages were determined. The allocations used appeared to be based on allocations used in prior years as opposed to allocations based on contemporaneous information. Additionally, we noted that out of the sample of twenty-five payroll expenditures tested, fifteen did not contain records, such as timesheets, etc., that would document that the work had been performed.

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 funding source nor were the controls in place to ensure that timesheets or other records were in place to reflect the work performed.

Recommendation: We recommend the University review its processes as they relate to obtaining information to support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee is funded from multiple sources. Additionally, processes should be reviewed to ensure documentation is obtained to support the work performed.

Finding 2018-003: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Standards for Documentation of Personnel Expenses (Continued)

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. LU is currently considering Shared Services for the administration of state/federal grants and contracts. The rebuilding of the Fiscal & Administrative Division's control structure, as noted in *Finding 2018-001*, will play a key role in the success of grants and contracts administration on the LU campus. LU will closely monitor the progression of this endeavor.

Finding 2018-004: Procurement and Suspension and Debarment

Federal Program: CFDA # 84.031 – Higher Education Institutional Aid

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). §200.320 defines the procurement methods to be followed when expending federal awards. The Small Purchase method, which may be followed for purchases up to $150,000, requires that price or rate quotes must be obtained from an adequate number of sources.

Condition: Our testwork over a sample of twenty-five expenditures, noted one instance in which the required multiple quotes had not been obtained prior to the item's purchase. Only one quote was obtained. The University's procurement policy requires three quotes be obtained for purchases meeting the Small Purchase procurement method, as defined by §200.320 and described above.

Questioned Costs: Identified ($24,633); Actual unknown.

Cause and Effect: The internal controls in place were not sufficient to ensure that the required quotes were obtained as required by the University's procurement policy. This could result in federal program dollars being spent on unallowable costs.

Recommendation: We recommend the University review its policies and procedures related to procurements made under the Small Purchase method.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. The instance referred to above stemmed from a misunderstanding of the need for three quotes or the justification of a sole source affidavit, neither of which requirements was identified by internal controls. The Fiscal & Administrative Division is undergoing an evaluation of processes, procedures and policies.

Finding 2018-005: Special Tests and Provisions

Federal Program: CFDA # 10.500 – Cooperative Extension Service

Criteria: The University is subject to certain provisions and restrictions regarding the use of its Cooperative Extension Service grant.

Condition: On September 28, 2018, the Office of Grants and Financial Management, National Institute of Food and Agriculture ("NIFA"), United States Department of Agriculture, issued a preliminary report on the site visit to the University's School of Agriculture and Applied Sciences conducted June 19th to June 21st, 2017. The purpose of the review was to determine if proper administrative and financial controls were in place to manage and safeguard federally issued funds and whether those funds were used for their intended purpose.

In that report, NIFA identified seven issues, which are summarized as follows:

1. *Time and Effort Reporting* – NIFA is unable to make a determination of the accuracy of payroll allocations to NIFA grants by staff members with split appointments. No indication in the report as to the possible amount of disallowed costs.

2. *Non-segregation of State Matching Funds in the Accounting System* – NIFA is unable to identify the application of state matching funds to specific NIFA grants. No indication in the report as to the possible amount of disallowed costs.

3. *Erroneous Data Reported in the FY 15 Renewable Resources Extension Act Program (RREA) Final Financial Report* – NIFA noted errors in the final SF-425 submitted on October 13, 2016. The error totaled $587.

4. *Erroneous Data Reported in the FY 15 Extension Final Financial Report* – NIFA noted errors in the final SF-425 submitted on June 13, 2016. The error totaled $1,838.

5. *Disallowed Costs – LU Childcare Center* – NIFA noted operational expenditures totaling $87,568 for the Langston University Childcare Center were charged to the FY 15 Extension award.

6. *Disallowed Costs – Teaching Salaries* – NIFA identified teaching salaries in the amount of $561,475 were charged to the FY 15 Extension award.

7. *Disallowed Costs – Scholarships* – NIFA identified scholarships in the amount of $80,013 were charged to the FY 15 Extension award.

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

Finding 2018-005: Special Tests and Provisions--Continued

NIFA has requested that the University utilize the services of the OSU/A&M Board of Regents Internal Audit department to follow-up on these additional questions as well as perform a self-audit of program expenditures related to the fiscal year 2016, 2017 and 2018 grants.

Cause and effect: Generally, the findings identified appear due to the lack of policies and procedures in place to ensure proper administration of the federal grant as well as a lack of understanding of the grant requirements and limitations. Failure to comply with prescribed program guidelines, or correct noted deficiencies in a timely manner could jeopardize the integrity and continued viability of the program at the University

Recommendation: We recommend the University consider these draft findings and take corrective actions as appropriate or provide adequate defenses to these preliminary findings.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. The planned evaluations and corrective actions as outlined in Finding 2018-001 and Finding 2018-003 will be fundamental in establishing a strong and reliable grants program administration on the LU campus.

LANGSTON UNIVERSITY
(An Organizational Unit of the Board of Regents for the
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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.

Current Status: This finding has been resolved in the current period.

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, 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.

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.

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

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 2017 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.

Current Status: Unresolved. Quarterly activity report not yet implemented. See current year Finding 2018-003.

LANGSTON UNIVERSITY
MANAGEMENT'S CORRECTIVE ACTION PLAN

October 31, 2018

Langston University respectfully submits the following corrective action plan for the year ended June 30, 2018. Our estimated completion date is the end of fiscal year 2019.

Name and address of independent public accounting firm: Arledge & Associates, P.C., 309 North Bryant, Edmond, OK 73034.

Audit period: July 1, 2017 to June 30, 2018.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Audit Results, does not include findings and is not addressed.

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

Finding 2018-001: Internal Control Over Financial Reporting

Criteria: The University should maintain a system of internal controls that ensures financial transactions are timely recorded, that all accounts are timely reconciled, and that all adjustments are recorded in order to generate accurate and timely financial reports.

Condition: The accounting department did not have adequate measures in place to ensure transactions were recorded in a timely manner, reconciliations were complete, and drawdowns of federal funds were completed on a monthly basis. Policies and procedures were not formalized regarding the processing and recording of transactions to provide guidance for both existing and new employees. This impacted the University's ability to prepare accurate and timely financial reports for use in managing the operations of the University. The lack of formal processes and training have impacted the University's ability to timely request reimbursement drawdowns from grantors as well as make timely payments to its vendors.

Cause and Effect: The lack of documented procedures and training in key fiscal processes has impacted the performance of new and existing employees. These issues along with accounting department turnover in the last year has resulted in their inability to prepare timely and accurate financial information for use in managing the operation of the University.

Recommendation: We recommend that the University take steps to begin rebuilding the accounting department function. Processes should be reviewed, evaluated and documented in writing to ensure that all transactions are processed and recorded in a timely and methodic manner, to ensure timely reconciliation of accounts, and the preparation of accurate and timely reports. Staffing levels should be evaluated, and all existing and any new employees should be properly trained. The University should consider utilizing resources available to it through either outside consultants or shared services available through Oklahoma State University.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. The Fiscal and Administrative (F&A) Division is currently undergoing an evaluation of financial processes, and procedures. LU is currently exploring options for shared services with Oklahoma State University and to engage with an external consulting firm to support financial reporting and accounting activities. LU will evaluate staffing levels and plan to fill critical positions.

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

Finding 2018-002: Special Tests and Provisions – Enrollment Reporting

Federal Program: CFDA # 84.063, 84.007, 84.033, 84.268 – Student Financial Assistance 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).80

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

Questioned Costs: None

Cause and Effect: The Academic Research and Financial Aid Offices are responsible for reporting all students' enrollment status. The reporting errors were caused by miscommunication of duties. The Academic Research department was under the impression the Financial Aid department was performing this function and vice versa.

Recommendation: We recommend the institution monitor adherence to the procedures that need to be followed when a student graduates from the University. This will allow the University to report enrollment changes to the NSLDS within the appropriate period of sixty days from the date the institution determined the status change. It is recommended the University consider evaluating the procedure regarding reporting graduates to the NSLDS and update the procedure as necessary to ensure compliance with enrollment reporting requirements.

Management's response: Langston University (LU) Administration agrees with the cause and effect as well as the recommendation as outlined. The Office of Institutional Research has been assigned responsibility for the NSLDS reporting of enrollment changes. LU will closely monitor adherence to this procedure.

Finding 2018-003: Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Standards for Documentation of Personnel Expenses

Federal Program: CFDA # 84.031 – Higher Education Institutional Aid

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 between the federal grant and other funding sources for two of the employees tested was not supported by documentation that would indicate how the allocation percentages were determined. The allocations used appeared to be based on allocations used in prior years as opposed to allocations based on contemporaneous information. Additionally, we noted that out of the sample of twenty-five payroll expenditures tested, fifteen did not contain records, such as timesheets, etc., that would document that the work had been performed.

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 funding source nor were the controls in place to ensure that timesheets or other records were in place to reflect the work performed.

Recommendation: We recommend the University review its processes as they relate to obtaining information to support the distribution of an employee's salary or wages among specific activities or cost objectives if the employee is funded from multiple sources. Additionally, processes should be reviewed to ensure documentation is obtained to support the work performed.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. LU is currently considering Shared Services for the administration of state/federal grants and contracts. The rebuilding of the Fiscal & Administrative Division's control structure, as noted in *Finding 2018-001*, will play a key role in the success of grants and contracts administration on the LU campus. LU will closely monitor the progression of this endeavor.

Finding 2018-004: Procurement and Suspension and Debarment

Federal Program: CFDA # 84.031 – Higher Education Institutional Aid

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). §200.320 defines the procurement methods to be followed when expending federal awards. The Small Purchase method, which may be followed for purchases up to $150,000, requires that price or rate quotes must be obtained from an adequate number of sources.

Condition: Our testwork over a sample of twenty-five expenditures, noted one instance in which the required multiple quotes had not been obtained prior to the item's purchase. Only one quote was obtained. The University's procurement policy requires three quotes be obtained for purchases meeting the Small Purchase procurement method, as defined by §200.320 and described above.

Questioned Costs: Identified ($24,633); Actual unknown.

Cause and Effect: The internal controls in place were not sufficient to ensure that the required quotes were obtained as required by the University's procurement policy. This could result in federal program dollars being spent on unallowable costs.

Recommendation: We recommend the University review its policies and procedures related to procurements made under the Small Purchase method.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. The instance referred to above stemmed from a misunderstanding of the need for three quotes or the justification of a sole source affidavit, neither of which requirements was identified by internal controls. The Fiscal & Administrative Division is undergoing an evaluation of processes, procedures and policies.

Finding 2018-005: Special Tests and Provisions

Federal Program: CFDA # 10.500 – Cooperative Extension Service

Criteria: The University is subject to certain provisions and restrictions regarding the use of its Cooperative Extension Service grant.

Condition: On September 28, 2018, the Office of Grants and Financial Management, National Institute of Food and Agriculture ("NIFA"), United States Department of Agriculture, issued a preliminary report on the site visit to the University's School of Agriculture and Applied Sciences conducted June 19th to June 21st, 2017. The purpose of the review was to determine if proper administrative and financial controls were in place to manage and safeguard federally issued funds and whether those funds were used for their intended purpose.

In that report, NIFA identified seven issues, which are summarized as follows:

1. *Time and Effort Reporting* – NIFA is unable to make a determination of the accuracy of payroll allocations to NIFA grants by staff members with split appointments. No indication in the report as to the possible amount of disallowed costs.

2. *Non-segregation of State Matching Funds in the Accounting System* – NIFA is unable to identify the application of state matching funds to specific NIFA grants. No indication in the report as to the possible amount of disallowed costs.

3. *Erroneous Data Reported in the FY 15 Renewable Resources Extension Act Program (RREA) Final Financial Report* – NIFA noted errors in the final SF-425 submitted on October 13, 2016. The error totaled $587.

4. *Erroneous Data Reported in the FY 15 Extension Final Financial Report* – NIFA noted errors in the final SF-425 submitted on June 13, 2016. The error totaled $1,838.

5. *Disallowed Costs – LU Childcare Center* – NIFA noted operational expenditures totaling $87,568 for the Langston University Childcare Center were charged to the FY 15 Extension award.

6. *Disallowed Costs – Teaching Salaries* – NIFA identified teaching salaries in the amount of $561,475 were charged to the FY 15 Extension award.

7. *Disallowed Costs – Scholarships* – NIFA identified scholarships in the amount of $80,013 were charged to the FY 15 Extension award.

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

NIFA has requested that the University utilize the services of the OSU/A&M Board of Regents Internal Audit department to follow-up on these additional questions as well as perform a self-audit of program expenditures related to the fiscal year 2016, 2017 and 2018 grants.

Cause and effect: Generally, the findings identified appear due to the lack of policies and procedures in place to ensure proper administration of the federal grant as well as a lack of understanding of the grant requirements and limitations. Failure to comply with prescribed program guidelines, or correct noted deficiencies in a timely manner could jeopardize the integrity and continued viability of the program at the University

Recommendation: We recommend the University consider these draft findings and take corrective actions as appropriate or provide adequate defenses to these preliminary findings.

Management's response: Langston University (LU) Administration agrees with the recommendation as outlined. The planned evaluations and corrective actions as outlined in Finding 2018-001 and Finding 2018-003 will be fundamental in establishing a strong and reliable grants program administration on the LU campus.

If the federal awarding agencies or pass-through entities have questions regarding this plan, please contact Gaylene Hargrove at (405) 466-3260.

Sincerely,

Gaylene Hargrove

Gaylene Hargrove

Acting Associate Vice President for Fiscal and Admin. Affairs
Langston University