Langston University

Financial Statements
and Independent Auditors' Reports

June 30, 2016

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Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Langston University (the University), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University's discretely presented component unit, the Langston University Foundation (the Foundation). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Governmental Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the report of the other auditor, 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, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 1 to the financial statements, certain errors resulting in understatement of amounts previously reported for accumulated depreciation on capital assets as of June 30, 2015, were discovered by management of the University during the current year. Accordingly, amounts reported for capital assets have been restated in the 2015 financial statements now presented, and an adjustment has been made to net position as of June 30, 2014, to correct the error. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the University adopted new accounting guidance, GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, 68, and 73. 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, 2016, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the University as of June 30, 2015, were audited by other auditors whose report dated March 3, 2016, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, 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 21, 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, 2016, 2015 and 2014

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, 2016 and 2015. 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.

During 2016, the University issued new ODFA Master Lease debt that was used to refund LDF Student Housing, LLC ("LLC") bonds. The ownership of the properties and assets covered by these bonds reverted to the University and are reflected most significantly in cash and cash equivalents, capital assets, long-term debt, housing revenues and net position.

FINANCIAL SUMMARY

- The University's net position and changes in net position for FY 2016 as compared to FY 2015 and 2014 was substantially impacted by the University issuing new ODFA Master Lease debt that was used to refund LDF Student Housing, LLC ("LLC") bonds; completion of the physical therapy classroom building; and requirements to recognize the University's share of the Oklahoma Teachers Retirement System pension liability (required by GASB Statements No. 68, 71 and 82). The bond refunding and capital lease restructure produced a $7.6 million decrease in long-term debt, while completion of the physical therapy classroom building increased capital assets by $5.2 million. A pension obligation of $30.0 million was recognized as of June 30, 2016 reflecting an increase of $2.8 million in long-term debt. Deferred outflows of resources related to the pension obligation were recognized in the amount of $3.6 million, representing University contributions during FY 2016. Additionally, deferred inflows of resources related to the pension obligation were also recorded in the amount of $3.7 million, reflecting differences between projected and actual earnings on pension plan investments, and to a lesser extent differences between expected and actual experience.

  The resulting net position for the University amounted to $73.7 million, $63.9 million and $96.2 million at June 30, 2016, 2015 and 2014, respectively.

- Total revenues for fiscal years ending June 30, 2016, 2015 and 2014 amounted to $74.8 million, $69.9 million and $72.3 million, respectively. Operating revenues increased by $4.1 million, reflecting increases in grants and contracts, net student tuition and fees and housing and meal plan revenues.

- Total expenses amounted to $65 million, $68.4 million, and $70.2 million for the fiscal years ending June 30, 2016, 2015 and 2014, respectively. Operating expenses decreased during fiscal year 2016 by $3.5 million reflecting a reduction in employee compensation and benefits resulting from the recording of deferred pension inflows and outflows and related amortization as well as outsourcing physical plant operations. Interest expense also declined reflecting debt service during the fiscal year and restructuring of certain capital leases. However, market depreciation of $947 thousand on the endowment and other investments partially offset these improvements in expenses.

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CONDENSED STATEMENTS OF NET POSITION

A comparative schedule of the University's net position for the years ended June 30, 2016, 2015, and 2014 is shown below, including the percentage of annual change:

	2016	2015	2014 *	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)	2016 vs. 2015 Percentage Change	2015 vs. 2014 Percentage Change
Assets							
Current assets	$ 29,272,670	$ 27,349,569	$ 26,573,813	$ 1,923,101	$ 775,756	7.0%	2.9%
Noncurrent assets:	136,804,605	141,242,432	142,693,375	(4,437,827)	(1,450,943)	(3.1%)	(1.0%)
Total assets	$ 166,077,275	$ 168,592,001	$169,267,188	$ (2,514,726)	$ (675,187)	(1.5%)	(0.4%)
Deferred outflows of resources	$ 3,630,563	$ 2,230,566	$ 212,251	$ 1,399,997	$ 2,018,315	62.8%	950.9%
Liabilities							
Current liabilities	$ 9,857,080	$ 11,589,678	$ 10,513,379	$ (1,732,598)	$ 1,076,299	(14.9%)	10.2%
Noncurrent liabilities	81,702,994	87,529,538	62,346,622	(5,826,544)	25,182,916	(6.7%)	40.4%
Total liabilities	$ 91,560,074	$ 99,119,216	$ 72,860,001	$ (7,559,142)	$ 26,259,215	(7.6%)	36.0%
Deferred inflows of resources	$ 4,402,067	$ 7,802,809	$ 344,665	$ (3,400,742)	$ 7,458,144	(43.6%)	2,163.9%
Net position							
Net investment in capital assets	$ 44,322,856	$ 32,657,727	$ 28,272,681	$ 11,665,129	$ 4,385,046	35.7%	15.5%
Restricted	43,416,118	54,596,870	55,234,614	(11,180,752)	(637,744)	(20.5%)	(1.2%)
Unrestricted	(13,993,277)	(23,354,055)	12,767,478	9,360,778	(36,121,533)	(40.1%)	(282.9%)
Total net position	$ 73,745,697	$ 63,900,542	$ 96,274,773	$ 9,845,155	$ (32,374,231)	15.4%	(33.6%)

* prior year amounts not restated for MD&A purposes

FY 2016 vs. FY 2015

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

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

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

Deferred Inflows of Resources decreased $3.4 million due to the change in pension liability from recognition of deferred inflows relating to the difference between projected and actual earnings on pension plan investments, as well as differences between expected and actual experience. Deferred inflows also decreased for OCIA capital lease restructuring that occurred during FY 2016, less amortization of prior year inflows.

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

FY 2015 vs. FY 2014

Total assets decreased $675 thousand during FY 2015. The construction of the physical therapy building contributed to a decrease in cash and cash-equivalents, but was substantially offset by an increase in capital assets for construction in progress and an increase in contract and grant receivables due to early year-end cutoffs related to system conversions resulting in later draw requests than usual.

Deferred outflows of resources increased by $2.0 million primarily due to University contributions made subsequent to the pension obligation measurement date of June 30, 2014.

Total liabilities increased $26.3 million compared to the previous year, reflecting the recognition of its $27.1 million share of the Oklahoma Teacher's Retirement System pension liability. Increases in accounts payable and accrued liabilities related to timing were offset by decreases in revenue bonds payable and OCIA capital lease obligations due to debt service and capital lease restructurings.

Deferred Inflows of Resources increased $7.5 million due to the recognition of deferred inflows relating to the difference between projected and actual earnings on pension plan investments, as well as differences between expected and actual experience. Deferred inflows also increased for OCIA capital lease restructuring that occurred during FY 2015, less amortization of prior year inflows.

Net position declined from $96.3 million at June 30, 2014 to $63.9 million at June 30, 2015. The declines were substantially in unrestricted net position due to the pension obligation recognition. Partially offsetting this decline was an increase in net assets invested in capital assets, net of debt, reflecting the construction of the physical therapy classroom building. Unrestricted net assets amounted to a deficit of $21.6 million at June 30, 2015. Unrestricted assets for E&G I activities reflected a deficit of $26.3 million. The pension reporting most significantly impacted E&G I as most University employees are paid from this fund. Unrestricted net position associated with Auxiliary Enterprises amounted to $3.0 million. Unrestricted net assets related to grants and contracts amounted to $1.7 million.

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, 2016, 2015, and 2014:

	2016	2015	restated 2014 *	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)	2016 vs. 2015 Percentage Change	2015 vs. 2014 Percentage Change
Total operating revenues	$ 33,168,154	$ 29,108,583	$ 26,553,151	$ 4,059,571	$ 2,555,432	13.9%	9.6%
Total operating expenses	53,267,276	56,762,845	59,039,070	(3,495,569)	(2,276,225)	(6.2%)	(3.9%)
Operating loss	(20,099,122)	(27,654,262)	(32,485,919)	7,555,140	4,831,657	(27.3%)	(14.9%)
Net nonoperating revenues (expenses)	24,386,563	25,146,168	29,385,220	(759,605)	(4,239,052)	(3.0%)	(14.4%)
Income (loss) before other revenue expenses	4,287,441	(2,508,094)	(3,100,699)	6,795,535	592,605	(270.9%)	(19.1%)
Other income (expense)	5,557,714	4,033,430	5,279,925	1,524,284	(1,246,495)	37.8%	(23.6%)
Change in net position	9,845,155	1,525,336	2,179,226	8,319,819	(653,890)	545.4%	(30.0%)
Net position, beginning as previously reported	63,900,542	65,765,395	94,095,547	(1,864,853)	(28,330,152)	(2.8%)	(30.1%)
Restatement - See note 1	-	(3,390,189)	-	3,390,189	(3,390,189)	(100.0%)	100.0%
Net position, beginning as restated	63,900,542	62,375,206	94,095,547	1,525,336	3,884,763	2.4%	4.1%
Net position, ending	$ 73,745,697	$ 63,900,542	$ 96,274,773	$ 9,845,155	$ 3,230,873	15.4%	3.4%

* prior year amounts not restated for MD&A purposes

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

FY 2016 vs. FY 2015

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

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

FY 2015 vs. FY 2014

Total revenues include operating revenues, state appropriations and other non-operating revenues, such as investment gains, interest income, pass-through grants and on-behalf contributions. For FY 2015, total revenues decreased by approximately $2.4 million, compared to the previous year. Operating revenues increased $2.6 million, substantially related to increases in housing and meal plan revenues, grants and contracts, and net tuition and fees. These increases were offset by declines in nonoperating revenue, most notably market depreciation of $1.5 million recognized in FY 2015 compared to market appreciation of $3.3 million in FY 2014. Other reductions included state appropriations restricted for capital purposes due to debt service, OCIA on-behalf payments due to debt service and capital lease restructurings, and a decrease in state allocations to the University's endowment as the State of Oklahoma $30.0 million commitment to the University's endowment was met in full.

Total expenses include operating expenses as well as nonoperating expenses such as market depreciation on investments and interest expense. Total expenses decreased $1.6 million for FY

2015. Operating expenses, which decreased $2.1 million, reflected compensation and benefits declines related to the recognition and deferred pension inflows and outflows and their related amortization and reduced scholarship levels. Nonoperating expenses reflected the $1.5 million in market depreciation on endowment and other investments, which was substantially offset by a $1.0 million reduction in interest expense due to debt service and capital lease restructurings.

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, 2016, 2015, and 2014 as reflected in its financial statements.

	2016	2015	2014	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)	2016 vs. 2015 Percentage Change	2015 vs. 2014 Percentage Change
Cash provided by (used in):							
Operating activities	$ (21,240,020)	$ (23,055,117)	$ (25,304,928)	$ 1,815,097	$ 2,249,811	(7.9%)	(8.9%)
Noncapital financing activities	26,726,632	26,828,585	27,279,286	(101,953)	(450,701)	(0.4%)	(1.7%)
Capital and related							
financing activities	(13,581,637)	(7,591,795)	(6,725,383)	(5,989,842)	(866,412)	78.9%	12.9%
Investing activities	3,151,276	784,217	4,811,592	2,367,059	(4,027,375)	301.8%	(83.7%)
Net incrase (decrease) in cash	(4,943,749)	(3,034,110)	60,567	(1,909,639)	(3,094,677)	62.9%	(5,109.5%)
Cash and cash equivalents:							
Beginning	27,634,034	30,668,144	30,607,577	(3,034,110)	60,567	(9.9%)	0.2%
Ending	$ 22,690,285	$ 27,634,034	$ 30,668,144	$ (4,943,749)	$ (3,034,110)	(17.9%)	(9.9%)

FY 2016 vs. 2015

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

FY 2015 vs. 2014

Cash and cash-equivalents amounted to $28.0 million at June 30, 2015, a $3.0 million decrease from the previous year. Net cash used in operating activities decreased $2.2 million from the previous year. This decrease primarily reflects increases in cash from housing and meal plans, as well as decreased payments to suppliers. The decrease in cash payments to suppliers is largely reflected in increased accounts payable and accrued liabilities, due to earlier cut-offs because of system conversions near the end of Fiscal Year 2015, substantially affecting large construction payments. Net cash provided by noncapital financing activities decreased $451 thousand, primarily reflecting decreases in pass-through grant revenue and OTRS on-behalf payments. Net cash used by capital and related financing activities increased by $866 thousand, reflecting payments on capital assets, primarily the physical therapy classroom building, and reduced capital appropriations received. These were partially offset by reductions in debt service payments Cash provided by investing activities decreased by $4.0 million, primarily reflecting net sales of investments in Fiscal Year 2014, which proceeds were substantially used for the payment of capital assets and capital debt service.

CAPITAL ASSETS

The following table represents the University's capital assets at June 30, 2016, 2015, and 2014:

	2016	2015	2014	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)	2016 vs. 2015 Percentage Change	2015 vs. 2014 Percentage Change
Land	$ 2,546,375	$ 2,546,375	$ 2,546,375	$ -	$ -	- %	- %
Construction in-progress	4,081,867	4,772,557	703,292	(690,690)	4,069,265	(14.5%)	578.6%
Art collection	1,505,000	-	-	1,505,000	-	100.0%	- %
Buildings and improvements	124,991,122	118,688,074	118,407,892	6,303,048	280,182	5.3%	0.2%
Infrastructure	4,897,199	3,811,606	3,669,991	1,085,593	141,615	28.5%	3.9%
Equipment	17,582,617	16,699,353	16,119,991	883,264	579,362	5.3%	3.6%
Library materials	4,317,739	4,317,739	4,317,739	-	-	- %	- %
Total	159,921,919	150,835,704	145,765,280	9,086,215	5,070,424	6.0%	3.5%
Less accumulated depreciation	(61,122,793)	(57,431,831)	(53,574,634)	(3,690,962)	(3,857,197)	6.4%	7.2%
Capital assets, net	$ 98,799,126	$ 93,403,873	$ 92,190,646	$ 5,395,253	$ 1,213,227	5.8%	1.3%

FY 2016 vs. 2015

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

FY 2015 vs. 2014

Capital assets amounted to $93.4 million at June 30, 2015, a $1.2 million increase from June 30, 2014. The largest increase in capital assets was reflected in a $4.0 million increase in construction in progress, primarily for the physical therapy classroom building. Small increases were reflected in buildings and improvements, infrastructure and equipment. Offsetting the increases was an increase in accumulated depreciation by $3.9 million, reflecting scheduled depreciation.

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

LONG-TERM LIABILITIES

The following table presents the University's long-term liabilities as of June 30, 2016, 2015, and 2014:

	2016	2015	2014	2016 vs. 2015 Increase (Decrease)	2015 vs. 2014 Increase (Decrease)	2016 vs. 2015 Percentage Change	2015 vs. 2014 Percentage Change
OCIA capital leases	$ 13,234,956	$ 14,327,955	$ 15,796,280	$ (1,092,999)	$ (1,468,325)	(7.6%)	(9.3%)
ODFA lease obligation	36,601,416	6,405,333	7,073,416	30,196,083	(668,083)	471.4%	(9.4%)
Bonds payable	-	39,710,000	41,075,000	(39,710,000)	(1,365,000)	(100.0%)	(3.3%)
Premium on capital leases	3,479,039	668,233	729,966	2,810,806	(61,733)	420.6%	(8.5%)
Discount on bonds	-	(211,448)	(230,486)	211,448	19,038	(100.0%)	(8.3%)
Total long-term debt	53,315,411	60,900,073	64,444,176	(7,584,662)	(3,544,103)	(12.5%)	(5.5%)
Net pension obligation	29,963,383	27,130,019	-	2,833,364	27,130,019	10.4%	100.0%
Other liabilities	2,135,898	2,706,612	3,744,481	(570,714)	(1,037,869)	(21.1%)	(27.7%)
Total long-term liabilities	$ 85,414,692	$ 90,736,704	$ 68,188,657	$ (5,322,012)	$ 22,548,047	(5.9%)	33.1%

FY 2016 vs. FY 2015

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

FY 2015 vs. FY 2014

Long-term liabilities increased $23.3 million at June 30, 2015 reflecting the recognition of the pension liability. However, long-term debt obligations declined $3.5 million during Fiscal Year 2015 to $60.9 million at June 30, 2015, reflecting scheduled debt payments and the restructuring of certain capital leases for interest savings. In addition to the addition of the pension liability, other long-term liabilities reflect a $233 thousand decline attributable to scheduled amortization of unearned revenue associated with the student meal plan vendor.

Further detailed information regarding long-term liabilities can be found in Note 8 in the financial statements.

ECONOMIC FACTORS AND THE UNIVERSITY'S FUTURE

Modest student cost increases were implemented for Fiscal Year 2017. Tuition and mandatory fees were increased by approximately 6.9% for Fiscal Year 2017. Apartment housing charges and meal plan costs were increased by 2.7% and 3.2% respectively. An undergraduate Oklahoma resident student living in student housing with a meal plan generally experienced a 4.0% increase in their costs, or approximately $282 per semester. The University makes every effort to keep student costs low as possible to maintain affordability.

The freshmen class for Fall 2016 set a record as the second largest freshmen class in the University's history. These gains, however, were partially offset by reduction in enrollments at the University's urban campuses which have programs for upperclassmen only. The University continues to focus on enrollment, retention and persistence as record freshmen classes matriculate.

As previously stated in Footnote 8 to the audited financial statements, the University issued new ODFA Master Lease debt that was used to refund LDF Student Housing, LLC ("LLC") bonds). This debt was refinanced by the University at a substantially lower interest rate that will provide a significant interest savings over the remaining life.

The Management Agreement by and between The Habitat Company, LDF Student Housing, LLC, and the University for property management services for properties financed by the 2005 and 2006 bonds was terminated on November 3, 2015. The ownership of the properties and assets covered by these bonds reverted back to the University. The University has elected to perform property management responsibilities in-house versus utilizing an external property manager.

Compensation and benefit costs are anticipated to remain relatively flat in FY 2017. Health insurance and OTRS contributions are the most significant of amounts included in employer-paid benefit options. The University pays both employer and employee contributions to the Oklahoma

Teachers Retirement System ("OTRS"). No changes in contribution rates are anticipated in Fiscal Year 2017. The health insurance rates paid by the University will increase by an estimated $400 thousand for FY 2017. The increased cost will be absorbed by the University and not be passed on to the employees. Future increases may have to be passed on to the employees.

The State of Oklahoma made its final contribution to the University's endowment in Fiscal Year 2015, completing its $30 million commitment to the University. The University's FY 2017 budget reflects a restructuring of its budgeted expenditures to reflect endowment usage to a more sustainable level. The University's budget planned for an endowment draw during FY 2017 up to $1.5 million to fund scholarships, enrollment and retention initiatives, and any other item deemed necessary that is approved by its governing board. Financial markets have shown significant volatility in past years based upon national and world events. Any further sustained market losses during Fiscal Year 2017 could have an impact on the amount of available endowment funds which can be distributed or used in FY 2017 and future periods.

State appropriations have been declining for the last few years. Current Oklahoma revenues are below budgeted levels, which are significantly influenced by energy prices. This continuing condition could result in a significant reduction during FY 2017 and/or FY 2018. 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, 2016 and 2015

	University		Foundation	
		Restated		
Assets	**2016**	**2015**	**2016**	**2015**
Current Assets				
Cash and cash equivalents	$ 20,653,898	$ 15,789,273	$ 1,323,429	$ 1,428,369
Restricted cash and cash equivalents	40,349	4,376,762	-	-
Investments	2,152,481	2,612,397	-	-
Accounts receivable, net	1,375,985	1,301,016	556,020	516,131
Contract and grant receivables	4,412,418	1,708,616	-	-
Other assets	-	532,063	2,956	12,789
Funds held for the benefit of the University	607,411	972,966	-	-
Interest receivable	28,941	55,289	-	-
Student loans receivable, net	1,187	1,187	-	-
Total current assets	29,272,670	27,349,569	1,882,405	1,957,289
Noncurrent Assets				
Restricted cash and cash equivalents	1,996,038	7,467,999	-	-
Investments	-	2,181,011	1,800,254	1,811,913
Funds held for the benefit of the University	36,009,441	38,189,549	-	-
Accounts receivable, net	-	-	454,595	454,595
Capital assets, net	98,799,126	93,403,873	-	-
Total noncurrent assets	136,804,605	141,242,432	2,254,849	2,266,508
Total assets	$ 166,077,275	$ 168,592,001	$ 4,137,254	$ 4,223,797
Deferred Outflows of Resources,				
Deferred charge on OCIA lease restructure	$ -	$ 106,126	$ -	$ -
Related to pensions	3,630,563	2,124,440	-	-
Total deferred outflows	$ 3,630,563	$ 2,230,566	$ -	$ -

(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, 2016 and 2015

	University		Foundation	
		Restated		
Liabilities and Net Position	**2016**	**2015**	**2016**	**2015**
Current Liabilities:				
Accounts payable	$ 4,125,849	$ 4,814,401	$ 2,784	$ -
Accrued liabilities	799,056	1,404,580	-	-
Other current liabilities	270,738	361,225	-	-
Unearned revenues	475,250	525,433	-	-
Accrued interest payable	-	322,582	-	-
Notes payable	-	323,640	-	-
Accrued compensated absences	474,489	630,651	-	-
Current portion of noncurrent liabilities	3,711,698	3,207,166	-	-
Total current liabilities	9,857,080	11,589,678	2,784	-
Noncurrent Liabilities, net of current portion				
Unearned revenues	332,500	427,500	-	-
Accrued compensated absences	1,423,469	1,891,955	-	-
Accrued pension benefit and OPEB obligati	379,929	387,157	-	-
Premium on revenue bonds	-	-	-	-
Net pension obligation	29,963,383	27,130,019	-	-
Revenue bonds payable	-	38,073,552	-	-
Capital lease obligations payable to state agencies	49,603,713	19,619,355	-	-
Total noncurrent liabilities	81,702,994	87,529,538	-	-
Total liabilities	$ 91,560,074	$ 99,119,216	$ 2,784	$ -
Deferred Inflows of Resources,				
Deferred credit on OCIA lease restructure	$ 733,359	$ 789,699	$ -	$ -
Related to pensions	3,668,708	7,013,110	-	-
	$ 4,402,067	$ 7,802,809	$ -	$ -
Net Position:				
Net investment in capital assets	$ 44,322,856	$ 32,657,727	$ -	$ -
Restricted:				
Nonexpendable	30,000,000	30,000,000	1,489,595	1,454,595
Expendable:				
Scholarships, research, instruction and other	9,493,738	12,350,375	2,079,023	2,240,662
Loans	417,160	280,199	-	-
Capital projects	3,505,220	3,386,275	-	-
Debt service	-	8,580,021	-	-
Unrestricted	(13,993,277)	(23,354,055)	565,852	528,540
Total net position	$ 73,745,697	$ 63,900,542	$ 4,134,470	$ 4,223,797

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, 2016 and 2015

	University		Foundation	
		Restated		
	2016	2015	2016	2015
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of $4,472,000 and $3,539,000 for 2016 and 2015, respectively	$ 9,183,427	$ 7,585,473	$ -	$ -
Federal grants and contracts	14,447,267	11,621,702	-	-
State and local grants and contracts	87,806	232,780	-	-
Non-governmental grants and contracts	862,421	967,011	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of $2,695,000 and $2,775,000 for 2016 and 2015, respectively	5,613,211	5,604,082	-	-
Food services, net of scholarship discounts and allowances of $1,206,000 and $1,140,000 for 2016 and 2015, respectively	2,477,431	2,443,028	-	-
Athletics	51,130	38,516	-	-
All other	169,512	72,547	-	-
Gifts and contributions	-	-	660,379	617,375
Other operating revenues	275,949	543,444	231,493	191,697
Total operating revenues	33,168,154	29,108,583	891,872	809,072
Operating expenses:				
Compensation and employee benefits	26,289,018	29,784,743	-	-
Contractual services	8,625,129	7,480,739	-	-
Supplies and materials	1,711,288	2,559,744	-	-
Utilities	2,093,677	2,397,652	-	-
Communications	185,413	222,805	-	-
Other operating expenses	6,157,910	6,384,048	786,301	385,775
Scholarships and fellowships	4,509,974	4,057,371	177,687	166,673
Depreciation	3,694,867	3,875,743	-	-
Total operating expenses	53,267,276	56,762,845	963,988	552,448
Operating income (loss)	(20,099,122)	(27,654,262)	(72,116)	256,624
Nonoperating revneus (expenses):				
State appropriations	16,153,134	18,785,998	-	-
OTRS on-behalf contributions	1,539,159	1,491,708	-	-
Pass-through grant revenue	8,711,315	7,708,965	-	-
Contribution from LEDA	-	-	-	-
Charter schools program revenue	8,992,523	7,883,643	-	-
Charter schools program expenses	(8,606,700)	(7,550,021)	-	-
Investment income, net	685,422	879,886	(17,211)	26,975
Loss on endowment investments	(947,086)	(1,496,613)	-	-
Interest expense	(2,141,204)	(2,557,398)	-	-
Net nonoperating revenues	24,386,563	25,146,168	(17,211)	26,975
Gain (loss) before other revenues, expenses, gains and losses	4,287,441	(2,508,094)	(89,327)	283,599
State appropriations restricted for capital purposes	2,212,753	1,890,978	-	-
OCIA on-behalf payments	1,839,961	1,262,664	-	-
Capital contributions	1,505,000	-	-	-
Additions to permanent endowments	-	879,788	-	-
Change in net position	9,845,155	1,525,336	(89,327)	283,599
Net position, beginning of year, restated	63,900,542	62,375,206	4,223,797	3,940,198
			-	-
Net position, end of year	$ 73,745,697	$ 63,900,542	$ 4,134,470	$ 4,223,797

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, 2016 and 2015

	2016	Restated 2015
Cash Flows from Operating Activities:		
Student tuition and fees	$ 11,311,013	$ 6,974,329
Grants and contracts	12,693,691	11,571,967
Auxiliary enterprise charges	5,963,546	8,012,495
Other operating receipts	275,947	568,530
Payments to employees for salaries and benefits	(27,472,357)	(30,196,130)
Payments to suppliers	(24,011,860)	(19,986,308)
Net cash (used in) operating activities	(21,240,020)	(23,055,117)
Cash Flows from Noncapital Financing Activities:		
Federal grants and contracts	7,502,767	7,708,965
State and local grants and contracts	1,270,731	333,622
State appropriations	16,153,134	18,785,998
Miscellaneous	1,800,000	-
Direct lending receipts	18,280,329	16,212,688
Direct lending payments	(18,280,329)	(16,212,688)
Net cash provided by noncapital financing activities	26,726,632	26,828,585
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(7,635,690)	(5,088,970)
Capital appropriations received	2,212,753	3,153,642
Proceeds of capital debt	34,881,915	-
Repayments of capital debt and leases	(41,051,469)	(3,056,371)
Interest paid on capital debt and leases	(1,989,146)	(2,600,096)
Net cash (used in) capital and related financing activities	(13,581,637)	(7,591,795)
Cash Flows from Investing Activities:		
Net purchases/sales of investments	2,604,739	(95,667)
Interest received on investments	546,537	879,884
Net cash provided by investing activities	3,151,276	784,217
Net increase (decrease) in cash and cash equivalents	(4,943,749)	(3,034,110)
Cash and cash equivalents:		
Beginning	27,634,034	30,668,144
Ending	$ 22,690,285	$ 27,634,034

(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, 2016 and 2015

	2016	Restated 2015
Reconciliation of Operating Loss to Net Cash (used in) Operating Activities:		
Operating loss	$ (20,099,122)	$ (27,654,262)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,694,867	3,875,743
On-behalf contributions to teachers' retirement system	1,539,159	1,491,708
Net loss on disposal of fixed assets	50,570	-
Changes in operating assets and liabilities:		
Accounts, loans and other receivables	(2,246,712)	(1,784,186)
Deferred outflows related to pensions	(1,506,123)	69,786
Accounts payable and accrued expenses	(1,301,305)	3,267,297
Unearned revenues	(145,182)	(197,075)
Deferred inflows related to pensions	(3,344,402)	7,013,110
Net pension liability	2,833,364	(8,963,774)
Other current liabilities and student deposits	(90,486)	(151,247)
Compensated absences and pension benefit obligation	(624,648)	(22,217)
Net cash (used in) operating activities	$ (21,240,020)	$ (23,055,117)
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	$ 1,839,961	$ 1,262,664
Additions to permanent endowments	-	879,788
Donation of artwork	1,505,000	-
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 20,653,898	$ 15,789,273
Restricted cash and cash equivalents	40,349	4,376,762
Noncurrent assets:		
Restricted cash and cash equivalents	1,996,038	7,467,999
Total cash and cash equivalents	$ 22,690,285	$ 27,634,034

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 (the Board of Regents).

Reporting Entity: The University is one of five institutions of higher education in Oklahoma that comprise part of the Oklahoma Agricultural and Mechanical Colleges, which in turn is part of the Higher Education component unit of the State of Oklahoma.

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

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

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

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

LDF Student Housing: LDF Student Housing, L.L.C. (the LLC), is a legally separate, Oklahoma not-for-profit corporation organized for the purpose of administration and operations of a student housing facility constructed with the proceeds of revenue bonds. The LLC is a nonprofit organization created for the purpose of providing affordable housing for students of the University, which consists of management of the University. The LLC is owned by Langston University Development Fund, and governed by its Board of Directors. Resources received and held by the LLC can only be used by, and for the benefit of, the University housing governed by certain bond documents. The University's management believes that blending the LLC's financial statements with the University provides users relevant and timely information about resources available to the University. The LLC prepares separate, stand-alone financial statements which may be obtained by contacting the LLC's management.

Note 1. Summary of Significant Accounting Policies (Continued)

In 2016, the assets and liabilities of the LLC, as well as the continuing administration and operations of the student housing, were absorbed by the University in the form of a government merger combination. In accordance with GASB 69, the merger date is the beginning of the reporting period in which the combination occurs, or July 1, 2015. Therefore, the assets and liabilities obtained through this merger were reported at their carrying value as of the merger date. Because the LLC was previously reported as a blended component unit, there was no effect on previously reported net position.

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.

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. There was no capitalized interest in 2016 or 2015.

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.

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:

<u>Net investment in capital assets</u>: 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.

<u>Restricted net position - expendable</u>: 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

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

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

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

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal or state government or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2016 and 2015, the University's deferred outflows of resources were comprised of deferred charges related to leases and pensions.

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2016 and 2015, the University's deferred inflows of resources were comprised of deferred credits related to leases and pensions.

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

Prior Period Adjustments:
Beginning net position was restated as of June 30, 2015 as follows:

	Fiscal Year 2015
Beginning net position, as previously reported	$ 65,765,395
Early implementation of GASB Statement 82	(1,546,864)
Correction for understatement of accumulated depreciation	(1,843,325)
Beginning net positions, restated	$ 62,375,206

The early implementation of GASB Statement 82 required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the University) from Deferred Outflows of Resources, as was reported in the prior year.

During 2016, University management identified that accumulated depreciation was understated and needed to be corrected.

Additionally, certain other reclassifications have been made to 2015 to conform with 2016 classifications. Such reclassifications had no effect on previously reported net position.

New Accounting Pronouncements Adopted in Fiscal Year 2016: The University adopted the following accounting pronouncement during the year ended June 30, 2016:

GASB Statement No. 72*, Fair Value Measurement and Application*

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76*, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 82*, Pension Issues, Amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB Statement No. 82 addresses certain issues that were raised with respect to the pension implementation of Statements No. 67, No. 68, and No. 73. The University elected to early implement Statement No. 82 which resulted in a restatement of beginning net position for fiscal year 2016.

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

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

GASB Statement No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The University has not yet determined the impact that implementation of GASB 73 will have on its net position.

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

GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The University has not yet determined the impact that implementation of GASB 74 will have on its net position.

Note 1. Summary of Significant Accounting Policies (Continued)

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

GASB Statement 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. This Statement is effective for fiscal years beginning after June 15, 2017. The University has not yet determined the impact that implementation of GASB 75 will have on its net position.

GASB Statement No. 77, *Tax Abatement Disclosures*

GASB Statement No. 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The University has not yet determined the impact that implementation of GASB 77 will have on its net position.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the University's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB Statement No. 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the University is unknown.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*

GASB Statement No. 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the University is unknown.

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

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

Note 2. Deposits and Investments

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

At June 30, 2016 and 2015 the carrying amount of the University's deposits with the State Treasurer and other financial institutions was as follows:

	2016	2015
Deposits with the State Treasurer	$ 22,685,285	$ 19,755,866
Other financial institutions	-	7,873,168
Total deposits	22,685,285	27,629,034
Petty cash and change funds	5,000	5,000
Total cash	$ 22,690,285	$ 27,634,034

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.

Note 2. Deposits and Investments (Continued)

Of the $22,685,285 and $19,755,866 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016 and June 30, 2015, respectively, $18,347,439 and $18,495,491, respectively, represent amounts held within *OK INVEST,* an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at *http://www.ok.gov/treasurer/*. An evaluation of the use and purpose of the Departments participation in the internal investment pool the amount on deposit with *OK INVEST* are treated as demand accounts and reported as cash equivalents.

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

1. Level 1 – Unadjusted quoted prices in active markets for identical assets.

2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

At June 30, 2016 and 2015, the University had the following investments:

Types of Investment	Fair Value Heirarchy	Credit Rating	Maturities	2016	2015
Fannie Mae discount notes	Level 2	Aaa	Less than One year	$ -	$ 2,309,935
Fannie Mac discount notes	Level 2	Aaa	Less than One year	-	294,804
Mutual funds	Level 1	Not Rated	Various	2,152,481	2,188,669
Total investments				$2,152,481	$ 4,793,408

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.

Note 2. Deposits and Investments (Continued)

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:

	2016	2015
Student tuition and fees	$ 1,706,494	$ 1,782,257
Auxiliary enterprises and other operating activities	4,039,046	1,851,308
	5,745,540	3,633,565
Less allowance for doubtful accounts	(4,369,555)	(2,332,549)
Accounts receivable, net	$ 1,375,985	$ 1,301,016

Note 4. Other Receivables

Other receivables consist of the following at June 30:

	2016	2015
Grants and contracts receivable	$ 4,412,418	$ 1,708,616
Interest receivable	28,941	55,289
Loans receivable	1,187	1,187
Total Other receivables	$ 4,442,546	$ 1,765,092

Note 5. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

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

Note 5. Capital Assets (Continued)

Following are the changes in capital assets for the year ended June 30, 2015:

	(Restated) Balance at June 30 2014	Additions	Transfers	Retirements	(Restated) Balance at June 30 2015
Capital assets not being depreciated:					
Land	$ 2,546,375	-	-	-	$ 2,546,375
Construction in-progress	703,292	4,069,265	-	-	4,772,557
Total capital assets not being depreciated	3,249,667	4,069,265	-	-	7,318,932
Other capital assets:					
Buildings and improvements	118,407,892	280,182	-	-	118,688,074
Infrastructure	3,669,991	-	141,615	-	3,811,606
Equipment	16,119,991	780,914	(141,615)	(59,938)	16,699,352
Library materials	4,317,739	-	-	-	4,317,739
Total other capital assets	142,515,613	1,061,096	-	(59,938)	143,516,771
Accumulated depreciation:					
Buildings and improvements	(35,007,105)	(2,837,279)	-	-	(37,844,384)
Infrastructure	(1,234,467)	(143,513)	-	-	(1,377,980)
Equipment	(13,015,323)	(894,951)	-	18,547	(13,891,727)
Library materials	(4,317,739)	-	-	-	(4,317,739)
Total accumulated depreciation	(53,574,634)	(3,875,743)	-	18,547	(57,431,830)
Capital assets, net	$ 92,190,646	$ 1,254,618	$ -	$ (41,391)	$ 93,403,873

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 $21,680,604 at both June 30, 2016 and 2015 with accumulated depreciation of $3,802,769 and $3,293,784, respectively.

Note 6. Unearned Revenues

Unearned revenues consisted of the following at June 30:

	2016	2015
Student tuition and fees	$ 380,250	$ 365,433
Contractual agreements	427,500	587,500
Total unearned revenues	$ 807,750	$ 952,933

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 $427,500 and $587,500 at June 30, 2016 and 2015, respectively. There is no stipulation for accrued interest relative to the Sodexo contract.

Note 7. Notes Payable

The LLC finances its annual property insurance premium over a 10-month period. A prepaid asset is recognized on the accompanying statements of net position, in other assets, and is amortized to expense on a straight-line basis. The detail of the notes payable resulting from the financing of insurance premiums as of June 30, 2016 and 2015 is as follows:

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Notes payable	$ 323,640	$ -	$ (323,640)	$ -

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
Notes payable	$ 311,672	$ 364,110	$ (352,142)	$ 323,640

Note 8. Noncurrent Liabilities

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

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

Note 8. Noncurrent Liabilities (Continued)

Noncurrent liability activity for the year ended June 30, 2015 was as follows:

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015	Current Portion
Revenue bonds payable and					
capital lease obligations:					
Revenue bonds payable:					
LEDA Revenue Bonds, Series 2006A	$ 20,250,000	$ -	$ (790,000)	$ 19,460,000	$ 825,000
LEDA Revenue Bonds, Series 2005A	20,825,000		(575,000)	20,250,000	600,000
	41,075,000	-	(1,365,000)	39,710,000	1,425,000
Less discounts on bonds	(230,486)	-	19,038	(211,448)	-
Total revenue bonds payable	40,844,514	-	(1,345,962)	39,498,552	1,425,000
Capital lease obligations:					
OCIA 1999/2004A	708,427	-	(708,427)	-	-
OCIA 2005F	669,762	-	(327,578)	342,184	342,184
OCIA 2010A	3,080,464	-	-	3,080,464	162,367
OCIA 2010B	914,828	-	(533,797)	381,031	381,031
OCIA 2006D	4,115,100	-	(4,115,100)	-	-
OCIA 2014A	6,307,699	-	-	6,307,699	-
OCIA 2014B	-	645,007	(113,210)	531,797	126,237
OCIA 2014C	-	3,684,780	-	3,684,780	81,180
ODFA Master Lease 2014A	6,170,416	-	(452,083)	5,718,333	465,167
ODFA Master Lease 2011B	903,000	-	(216,000)	687,000	224,000
	22,869,696	4,329,787	(6,466,195)	20,733,288	1,782,166
Plus: Premium on lease obligations	729,966	-	(61,733)	668,233	-
Total capital lease obligations	23,599,662	4,329,787	(6,527,928)	21,401,521	1,782,166
Total revenue bonds payable and capital lease obligations	64,444,176	4,329,787	(7,873,890)	60,900,073	3,207,166
Other liabilities:					
Accrued compensated absences	2,536,928	2,250,029	(2,264,351)	2,522,606	630,651
Total other liabilities	2,536,928	2,250,029	(2,264,351)	2,522,606	630,651
Total noncurrent liabilities	$ 66,981,104	$ 6,579,816	$(10,138,241)	$ 63,422,679	$ 3,837,817

Note 8. Noncurrent Liabilities (Continued)

Revenue Bonds

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

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

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

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

In 2016, the University entered into a capital lease obligation for the ODFA Master Lease Series 2015A in the amount of $17,509,000, to refund the LEDA Revenue Bonds Series 2005A. The net present value of the savings for the refinance was $2,897,666.

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

In 2016, the University entered into a capital lease obligation for the ODFA Master Lease Series 2016A in the amount of $14,240,000, to refund the LEDA Revenue Bonds Series 2006A. The net present value of the savings for the refinance was $3,916,350.

Note 8. 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, 2016 and 2015, the unamortized gain totaled $39,364 and $52,486, 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. As of June 30, 2016 and 2015, the unamortized cost totaled $0 and $106,126, respectively. 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 8. Noncurrent Liabilities (Continued)

In 2014, the OCIA restructured the 2005F by issuing new bonds Series 2014A. This restructuring was a partial refunding and resulted in a credit of $350,021 between the remaining liability of 2005F and the new liability of 2014A. This credit on restructuring was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2016 and 2015, the unamortized gain totaled $301,805 and $323,234, 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, 2016 and 2015, the unamortized gain totaled $392,190 and $413,979, 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 $1,839,961 and $1,262,664 during the years ended June 30, 2016 and 2015, 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 8. 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:			
2017	$ 3,466,983	$ 2,012,801	$ 5,479,784
2018	3,580,541	1,914,882	5,495,423
2019	3,454,024	1,776,372	5,230,396
2020	2,267,315	1,633,403	3,900,718
2021	2,337,451	1,557,985	3,895,436
2022-2026	14,461,913	6,291,645	20,753,558
2027-2031	14,576,858	3,032,799	17,609,657
2032-2036	5,691,287	579,558	6,270,845
	$ 49,836,372	$ 18,799,445	$ 68,635,817

Note 9. Retirement Plans

The University's academic and non-academic personnel are covered by various retirement plans. One plan available to University personnel is the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. The University also sponsors a Supplemental Retirement Plan, which is a single-employer public-employee retirement system, which was approved in 1971. The University does not maintain the accounting records, hold the investments or administer the plan**.**

Oklahoma Teachers' Retirement System:

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

Note 9. Retirement Plans (Continued)

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

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

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

- Upon the death of a retired member, the System will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2016 and 2015.

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 $2,140,401 and $2,124,440 for June 30, 2016 and June 30, 2015, respectively.

Note 9. Retirement Plans (Continued)

The State of Oklahoma also made on-behalf contributions to OTRS, of which $1,539,159 and $1,491,708 for June 30, 2016 and June 30, 2015 was recognized by the University; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016 and June 30, 2015, the University reported a liability of $29,963,383 and $27,130,019, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and June 30, 2014. 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, 2015 and June 30, 2014. Based upon this information, the University's proportion for June 30, 2015 and June 30, 2014 was .493407 percent and .5043 percent.
For the year ended June 30, 2016 and June 30, 2015, the University recognized pension expense of $1,622,399 and $3,282,134, respectively.

At June 30, 2016, 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	$ -	$ 1,017,739
Changes of assumptions	1,434,742	
Net difference between projected and actual earnings on pension plan investments	-	2,032,678
Changes in University's proportionate share of contributions	-	618,291
Differences between University contributions and proportionate share of contributions	55,420	-
University contributions subsequent to the measurement date	2,140,401	-
Total	$ 3,630,563	$ 3,668,708

Note 9. Retirement Plans (Continued)

At June 30, 2015, 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	$ -	$ 447,183
Net difference between projected and actual earnings on pension plan investments	-	6,565,927
University contributions subsequent to the measurement date	2,124,440	-
Total	$ 2,124,440	$ 7,013,110

*amount restated for implementation of GASB No. 82

The amounts of $2,140,401 and $2,124,440, which are reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and June 30, 2016, 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, 2016:		
2017	$	(951,809)
2018		(951,809)
2019		(951,809)
2020		654,253
2021		13,801
Thereafter		8,827
	$	(2,178,546)

Year ended June 30, 2015:		
2016	$	(1,725,539)
2017		(1,725,539)
2018		(1,725,539)
2019		(1,725,539)
2020		(84,057)
Thereafter		(26,897)
	$	(7,013,110)

Note 9. Retirement Plans (Continued)

<u>Actuarial Assumptions</u>- The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in 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%.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
Internationa Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.00%	

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

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

Note 9. Retirement Plans (Continued)

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as of June 30, 2014 using the following actuarial assumptions:

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011:

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

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

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

Note 9. Retirement Plans (Continued)

Discount Rate- A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*-**The following presents the net pension liability of the employers calculated using the discount rate of 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate.

For June 30, 2016:

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

For June 30, 2015:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 38,114,119	$ 27,130,019	$ 17,859,064

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

Supplemental Retirement Plan

Plan description: The Supplemental Retirement Plan (the Plan) is a single-employer defined benefit pension plan administered by the University. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees' average 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 Plan is not funded and benefits do not vest to the participants until their retirement. The University has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the Plan and the Plan has been discontinued. During the years ended June 30, 2016, 2015 and 2014, the University paid approximately $41,000 to retirees under the Plan. There are no active employees who qualify for benefits under this plan.

Note 9. Retirement Plans (Continued)

Annual pension cost and net pension obligation: Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. In the actuarial valuations the projected unit credit method was used. The actuarial assumptions included (a) a discount rate of 4.0% per year to determine the present value of future benefit payments; (b) retirement at age 65; and (c) a 4.0% interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded plan and, accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over 10 years.

The annual pension cost and net pension obligation to the Plan for the years ended June 30, were as follows:

	2016	2015
Annual required contribution	$ 52,108	$ 52,108
Interest on net pension obligation	19,802	19,802
Adjustment to annual required contribution	(34,542)	(34,542)
Annual pension cost	37,368	37,368
Contributions made	40,611	40,611
Decrease in net pension obligation	(3,243)	(3,243)
Net pension obligation, beginning of year	301,422	304,665
Net pension obligation, end of year	$ 298,179	$ 301,422

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

Actuarial accrued liability (AAL)	$ 521,081
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 521,081
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	-
UAAL as a percentage of annual covered payroll	0.00%

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

Note 9. Retirement Plans (Continued)

Trend information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation is as follows:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Years ending June 30:			
2014	$ 28,589	142.1%	$ 304,665
2015	37,368	108.7%	301,422
2016	37,368	108.7%	298,179

Note 10. Other Post-Employment Insurance Benefits

Plan description: The University pays the life insurance premiums for retired employees until death. Eligible retirees must meet the OTRS guidelines, and have been enrolled in the University's life insurance program prior to retirement. Each retiree is eligible to receive $8,000 of life insurance coverage at a cost to the University of $.275 per $1,000 of coverage. As of June 30, 2015, there were 521 active employees and 199 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The Other Post-Employment Insurance Benefits (OPEB) Plan does not issue a stand-alone financial report.

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

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

Note 10. Other Post-Employment Insurance Benefits (Continued)

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

	2016	2015
Annual required contribution	$ 17,313	$ 17,313
Interest on OPEB obligation	3,429	3,164
Adjustment to annual required contribution	(7,414)	(7,817)
Annual life insurance cost	13,328	12,660
Contributions made	17,313	17,313
Increase (decrease) in net obligation	(3,985)	(4,653)
Net OPEB obligation, beginning of year	85,735	90,388
Net OPEB obligation, end of year	$ 81,750	$ 85,735

The net OPEB obligation at June 30, 2016 and 2015 is included in accrued pension benefit and OPEB obligations in the statements of net position.

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

Actuarial accrued liability (AAL)	$ 117,098
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 117,098
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	$ 22,203,799
UAAL as a percentage of annual covered payroll	0.53%

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

Trend information:

	Annual OPEB Cost	Percentage OPEB Cost Contributed	Net OPEB Obligation
Years ending June 30:			
2014	$ 16,016	91.7%	$ 90,388
2015	12,660	136.8%	85,735
2016	13,328	129.9%	81,750

Note 11. 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 $2,212,753 and $1,890,978 during the years ended June 30, 2016 and 2015, 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 $37,388,048 and $38,682,635 at June 30, 2016 and 2015, 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 $1,137,000 and $1,160,000 for the years ended June 30, 2016 and 2015, respectively. Payments from the Oklahoma City Community Foundation are deposited in the Langston University Foundation as received.

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

Funds held for the benefit of the University of $36,009,441 and $38,189,549 at June 30, 2016 and 2015, 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, 2016 and 2015, the available distribution to the University from the OSRHE amounted to $6,880,193 and $10,375,767, respectively.

Endowed Chairs Program: The University participates in the State Regents Endowed Chairs Program. In connection with this, the State of Oklahoma has matched contributions received under the Endowed Chairs Program. The State match amounts, plus retained accumulated earnings, totaled approximately $2,638,000 and $2,367,000 for June 30, 2016 and 2015, respectively, and is invested by the OSRHE on behalf of the University. The University is entitled to receive an annual distribution of 4.5 percent of the market value at year end on these funds. Legal title of these endowment funds is retained by the OSRHE; only the funds available for distribution; approximately $607,000 and $973,000 at June 30, 2016 and 2015, respectively, have been reflected as assets in the statements of net position.

Note 12. Commitments and Contingencies

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

The operations of the apartments owned by the LLC are managed by the Habitat Company under an agreement originally dated May 1, 2005. The parties to the agreement signed a first amendment to the management agreement which extends the term of the agreement through June 30, 2016, and unless terminated by either party will automatically renew for three successive one-year terms through June 20, 2019.

On August 6, 2015, Habitat provided formal notice of their resignation as manager for all properties effective as of close of business on November 3, 2015. The notice was given pursuant to the terms of the Management Agreement and was accepted by all parties. A Termination of Lease Agreement (Termination Agreement) was also executed. With the execution of the Termination Agreement, the LLC transferred and delivered to the University all right, title and interests of the LLC with respect to all apartments and property; all personal property owned by the LLC and located at those apartments and properties; and their interest to any service, equipment, supply and maintenance contracts related to those apartments and properties.

Note 13. 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 14. Leasing Arrangements

The Board of Regents of the University (Lessor) has entered into a ground lease agreement with the LLC. The LLC is an Oklahoma not-for-profit limited liability corporation that owns and operates three student housing facilities located on the University campus. The University is leasing to the LLC the property upon which these student housing facilities are located. The lease term commenced on May 2, 2005 and was amended and restated on May 1, 2006 and expires on April 30, 2040. Under the ground lease, a portion of the amount on deposit in the surplus fund, as defined in the bond indenture dated May 1, 2005, and amended and restated May 1, 2006 to include Scholars Inn, is available to the Lessor. The available funds must be requested by the Lessor subsequent to the year-end financial audit. For the years ended June 30, 2016 and 2015, no funds for the ground lease were requested by the Lessor at the time of this report.

Note 14. Leasing Arrangements (Continued)

As stated above in the Commitments and Contingency Note, a Termination of Lease Agreement (Termination Agreement) was executed in 2016. With the execution of the Termination Agreement, the LLC transferred and delivered to the University all right, title and interests of the LLC with respect to all apartments and property; all personal property owned by the LLC and located at those apartments and properties; and their interest to any service, equipment, supply and maintenance contracts related to those apartments and properties.

Note 15. Segment Information

As stated above in the Reporting Entity Note, during 2016 the assets and liabilities of the LLC, as well as the continuing administration and operations of the student housing, were absorbed by the University in the form of a government merger combination. In accordance with GASB 69, the merger date is the beginning of the reporting period in which the combination occurs, which would be July 1, 2015. Therefore, the assets and liabilities obtained through this merger were reported at their carrying value as of the merger date, and no segment financial information is available nor reported for 2016. However, the University's financial statements for 2015 contained the blended component unit, the LLC. Therefore, with the presentation of comparative financial statements, the condensed combining information for 2015 is presented below (in 000's):

	June 30, 2015 (Restated)			
Condensed Statements of Net Position	**University**	**LLC**	**Eliminations**	**Total**
Assets				
Current assets	$ 16,679	$ 11,375	$ (704)	$ 27,350
Capital assets, net	67,254	26,150	-	93,404
Other assets	47,839	-	-	47,839
Total assets	131,772	37,525	(704)	168,593
Deferred outflows of resources	2,231	-	-	2,231
Liabilities				
Current liabilities	11,118	2,155	(64)	13,209
Noncurrent liabilities	47,837	38,074	-	85,911
Total liabilities	58,955	40,229	(64)	99,120
Deferred inflows of resources	7,803	-	-	7,803
Net position				
Net investment in capital assets	44,581	(11,924)	-	32,657
Restricted, nonexpendable	30,000	-	-	30,000
Restricted, expendable	16,017	9,220	(640)	24,597
Unrestricted	(23,354)	-	-	(23,354)
Total net position	$ 67,244	$ (2,704)	$ (640)	$ 63,900

Note 15. Segment Information (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position	June 30, 2015 (Restated) University	LLC	Eliminations	Total
Operating revenues:				
Student tuition and fees, net	$ 7,585	$ -	$ -	$ 7,585
Grants and contracts	12,821	-	-	12,821
Other	8,816	8,000	(8,115)	8,701
Total operating revenues	29,222	8,000	(8,115)	29,107
Operating expenses:				
Compensation and benefits	28,880	905	-	29,785
Depreciation	2,416	1,460	-	3,876
Other	27,924	2,858	(7,679)	23,103
Total operating expenses	59,220	5,223	(7,679)	56,764
Operating income (loss)	(29,998)	2,777	(436)	(27,657)
Nonoperating revenues (expenses):				
State appropriations	18,786	-	-	18,786
Grants and contributions	8,043	-	-	8,043
Interest expense	(552)	(2,005)	-	(2,557)
Other	732	143	-	875
Net nonoperating revenues	27,009	(1,862)	-	25,147
Capital and other restricted appropriations	3,154	-	-	3,154
Additions to permanent endowments	880	-	-	880
Change in net position	1,045	915	(436)	1,524
Net position, beginning	66,199	(3,619)	(204)	62,376
Net position, ending	$ 67,244	$ (2,704)	$ (640)	$ 63,900

Condensed Statements of Cash Flows	June 30, 2015 (Restated) University	LLC	Eliminations	Total
Net cash provided by (used in):				
Operating activities	$ (27,097)	$ 4,042	$ -	$ (23,055)
Noncapital financing activities	26,829	-	-	26,829
Capital and related financing activities	(4,243)	(3,349)	-	(7,592)
Investing activities	642	142	-	784
Net increase (decrease)	(3,869)	835	-	(3,034)
Cash and cash equivalents:				
Beginning	23,630	7,038	-	30,668
Ending	$ 19,761	$ 7,873	$ -	$ 27,634

Note 16. Langston University, Foundation, Inc.

The following are significant disclosures of the Langston University Foundation:

Investments and Investment Return

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

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

Investments are made in conformity with the objectives and guidelines of the Foundation's Board of Directors. The investments are stated at fair value. As of June 30, 2016 and 2015, the Foundation's investments were as follows:

	2016	2015
Equity securities:		
Pooled equity mutual funds	$ 924,086	$ 931,926
Fixed income investments:		
Pooled fixed income mutual funds	782,904	791,977
Open-end mutual funds	77,795	69,005
Real estate mutual funds	15,469	19,005
Total investments	$ 1,800,254	$ 1,811,913

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

	2016	2015
Dividends and interest income	$ 33,383	$ 31,895
Net realized and unrealized gains (losses) on investments reported at fair value	(38,279)	6,638
Investment fees	(12,315)	(11,558)
Total investment income	$ (17,211)	$ 26,975

Note 16. Langston University, Foundation, Inc. (Continued)

Contributions

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

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. 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.

Endowment

The Foundation's endowment consists of donor-restricted gifts established for a professorship in accounting and a gift to the University that was subsequently transferred to the Foundation and established as an endowment fund to participate in the Oklahoma State Regents for Higher Education's (Regents) endowment matching program. The program was initiated by the Regents to establish faculty chairs and professorships at institutions in the Oklahoma State System of Higher Education. For universities to be eligible to participate in the program, they are required to maintain a specified minimum amount of funds in perpetuity for a specific endowed professorship chair. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the *State of Oklahoma Prudent Management of Institutional Funds Act* (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 16. Langston University, Foundation, Inc. (Continued)

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

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

	Temporarily Restricted	Permanently Restricted	Total
2016			
Donor-restricted endowment funds	$ -	$ 1,489,595	$ 1,489,595
Available for appropriation	316,509	-	316,509
Total endowment funds	$ 316,509	$ 1,489,595	$ 1,806,104
2015			
Donor-restricted endowment funds	$ -	$ 1,454,595	$ 1,454,595
Available for appropriation	326,537	-	326,537
Total endowment funds	$ 326,537	$ 1,454,595	$ 1,781,132

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

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

Note 16. Langston University, Foundation, Inc. (Continued)

	Temporarily Restricted	Permanently Restricted	Total
2015			
Endowment net assets, beginning of year	$ 310,889	$ 1,454,595	$ 1,765,484
Investment return			
Investment income	4,203	-	4,203
Net appreciation	11,445	-	11,445
Total investment return	15,648	-	15,648
Endowment net assets, end of year	$ 326,537	$ 1,454,595	$ 1,781,132

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

	2016	2015
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently	$ 1,489,595	$ 1,454,595
Temporarily restricted net assets		
Available for appropriation	316,509	326,537
	$ 1,806,104	$ 1,781,132

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 assets and, as of June 30, 2016 and 2015, there are no deficiencies reported in unrestricted net assets.

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.

Note 16. Langston University, Foundation, Inc. (Continued)

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 2016 and 2015, 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 other entities affiliated with the University.

The Foundation appropriates program receipts and designated contributions from donors to the University or directly to students of the University. For the years ended June 30, 2016 and 2015, the Foundation disbursed $557,938 and $344,283, respectively, to the University or directly to students of the University for student scholarships and various university departments.

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:

Note 16. Langston University, Foundation, Inc. (Continued)

		2016 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)
2016				
Cash equivalents – money market mutual funds	$ 119,178	$ 119,178	$ -	$ -
Equity securities				
Pooled equity mutual funds				
Small cap	50,133	50,133	-	-
Mid cap	205,427	205,427	-	-
Large cap	350,457	350,457	-	-
International	318,069	318,069	-	-
Fixed income mutual funds				
Short term	121,609	121,609	-	-
Intermediate	503,353	503,353	-	-
International	101,883	101,883	-	-
High yield	56,059	56,059	-	-
Open-end mutual funds				
Market neutral	31,108	31,108		
International	31,310	31,310	-	-
Equity	15,377	15,377	-	-
Real estate mutual funds	15,469	15,469	-	-
	$ 1,919,432	$ 1,919,432	$ -	$ -

Note 16. Langston University, Foundation, Inc. (Continued)

		2015 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)**
2015				
Cash equivalents – money market mutual funds	$ 43,858	$ 43,858	$ -	$ -
Equity securities				
Pooled equity mutual funds				
Small cap	91,641	91,641	-	-
Mid cap	164,039	164,039	-	-
Large cap	444,388	444,388	-	-
International	231,858	231,858	-	-
Fixed income mutual funds				
Short term	56,305	56,305	-	-
Intermediate	491,157	491,157	-	-
International	121,949	121,949	-	-
High yield	122,566	122,566	-	-
Open-end mutual funds				
International	25,804	25,804	-	-
Equity	43,201	43,201	-	-
Real estate mutual funds	19,005	19,005	-	-
	$ 1,855,771	$ 1,855,771	$ -	$ -

Required Supplementary Information

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

Required Supplementary Information (Unaudited)
June 30, 2016

Schedule of Funding Progress for Supplemental Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2009	$ -	$ 728,791	$ 728,791	0.00%	$ 115,500	0.00%
6/30/2010	-	777,997	777,997	0.00%	118,965	0.00%
6/30/2011	-	779,472	779,472	0.00%	118,965	0.00%
6/30/2012	-	424,043	424,043	0.00%	125,000	0.00%
6/30/2013	-	458,801	458,801	0.00%	-	0.00%
6/30/2014	-	439,097	439,097	0.00%	-	0.00%
6/30/2015	-	521,081	521,081	0.00%	-	0.00%
6/30/2016	-	521,081	521,081	0.00%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method.
The University obtains actuarial valuations biannually in accordance with the provisions of GASB No. 27.

Schedule of Funding Progress for Other Postemployment
Life Insurance Benefits

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

The actuarial liability is based on the projected unit credit cost method.
The University obtains actuarial valuations biannually in accordance with the provisions of GASB No. 45.

Langston University
(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* (Dollar amounts in thousands)

	2015	2016
University's proportion of the net pension liability	0.5043%	0.4934%
University's proportionate share of the net pension liability	$ 27,130,019	$ 29,963,383
University's covered-employee payroll	$ 22,922,486	$ 22,346,462
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.36%	134%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%

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

Notes to Schedule:

Only the current and prior fiscal year 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
Last 10 Fiscal Years (Dollar amounts in thousands)

	2015	2016
Contractually required contribution	$ 2,124,440	$ 2,140,401
Contributions in relation to the contractually required contribution	2,124,440	2,140,401
Contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll	$ 22,346,462	$ 22,392,779
Contributions as a percentage of covered-employee payroll	9.51%	9.56%

Notes to Schedule:

Only the current and prior fiscal year 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.

Other Information

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

Combining Statement of Net Position
June 30, 2015

	2015 (Restated)			
Assets	**University**	**LLC**	**Eliminations**	**Total**
Current Assets:				
Cash and cash equivalents	$ 12,252,518	$ 3,536,755	$ -	$ 15,789,273
Restricted cash and cash equivalents	40,349	4,336,413	-	4,376,762
Investments	7,658	2,604,739	-	2,612,397
Accounts receivable, net	1,528,889	475,830	(703,703)	1,301,016
Contract and grant receivables	1,708,616	-	-	1,708,616
Other assets	132,213	399,850	-	532,063
Funds held for the benefit of the University	972,966	-		972,966
Interest receivable	34,169	21,120	-	55,289
Student loans receivable, net	1,187	-	-	1,187
Total current assets	16,678,565	11,374,707	(703,703)	27,349,569
Noncurrent Assets				
Restricted cash and cash equivalents	7,467,999	-	-	7,467,999
Investments	2,181,011	-	-	2,181,011
Funds held for the benefit of the University	38,189,549			38,189,549
Capital assets, net	67,253,869	26,150,004	-	93,403,873
Total noncurrent assets	115,092,428	26,150,004	-	141,242,432
Total assets	$ 131,770,993	$ 37,524,711	$ (703,703)	$ 168,592,001
Deferred Outflows of Resources				
deferred charge on OCIA lease restructure	$ 106,126	$ -	$ -	$ 106,126
deferred outflows related to pensions	2,124,440	-	-	$ 2,124,440
	$ 2,230,566	$ -	$ -	$ 2,230,566

(Continued)

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

Combining Statement of Net Position (Continued)
June 30, 2015

	2015 (Restated)			
Liabilities and Net Position	**University**	**LLC**	**Eliminations**	**Total**
Current Liabilities:				
Accounts payable	$ 4,814,401	$ -	$ -	$ 4,814,401
Accrued liabilities	1,384,819	19,761	-	1,404,580
Other current liabilities	361,225	-	-	361,225
Unearned revenues	525,433	63,820	(63,820)	525,433
Accrued interest payable	-	322,582	-	322,582
Notes payable	-	323,640	-	323,640
Accrued compensated absences	630,651	-	-	630,651
Current portion of noncurrent liabilities	1,782,166	1,425,000	-	3,207,166
Total current liabilities	9,498,695	2,154,803	(63,820)	11,589,678
Noncurrent Liabilities, net of current portion:				
Unearned revenues	427,500	-	-	427,500
Accrued compensated absences	1,891,955	-	-	1,891,955
Accrued pension benefit and OPEB obligation	387,157	-	-	387,157
Net pension liability	27,130,019	-	-	27,130,019
Revenue bonds payable	-	38,073,552	-	38,073,552
Capital lease obligations payable to state agencies	19,619,355	-	-	19,619,355
Total noncurrent liabilities	49,455,986	38,073,552	-	87,529,538
Total liabilities	$ 58,954,681	$ 40,228,355	$ (63,820)	$ 99,119,216
Deferred Inflows of Resources				
deferred credit on OCIA lease restructure	$ 789,699	$ -	$ -	$ 789,699
deferred inflows related to pensions	7,013,110	-	-	7,013,110
	$ 7,802,809	$ -	$ -	$ 7,802,809
Net Position:				
Net investment in capital assets	$ 44,581,275	$ (11,923,548)	$ -	$ 32,657,727
Restricted:				
Nonexpendable	30,000,000	-	-	30,000,000
Expendable:				
Scholarships, research, instruction and other	12,350,375	-	-	12,350,375
Loans	280,199	-	-	280,199
Capital projects	3,386,275	-	-	3,386,275
Debt service	-	9,219,904	(639,883)	8,580,021
Unrestricted	(23,354,055)	-	-	(23,354,055)
Total net position	$ 67,244,069	$ (2,703,644)	$ (639,883)	$ 63,900,542

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

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	2015 (Restated)			
	University	**LLC**	**Eliminations**	**Total**
Operating revenues:				
Student tuition and fees, net of scholarship discounts and allowances of $4,472,000 and $3,539,000 for 2016 and 2015, respectively	$ 7,585,473	$ -	$ -	$ 7,585,473
Federal grants and contracts	11,621,702	-	-	11,621,702
State and local grants and contracts	232,780	-	-	232,780
Non-governmental grants and contracts	967,011	-	-	967,011
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of $2,695,000 and $2,775,000 for 2016 and 2015, respectively	5,604,082	7,692,437	(7,692,437)	5,604,082
Food services, net of scholarship discounts and allowances of $1,206,000 and $1,140,000 for 2016 and 2015, respectively	2,443,028	-	-	2,443,028
Athletics	38,516	-	-	38,516
All other	72,547	219,004	(219,004)	72,547
Other operating revenues	657,882	88,888	(203,326)	543,444
Total operating revenues	29,223,021	8,000,329	(8,114,767)	29,108,583
Operating expenses:				
Compensation and employee benefits	28,879,719	905,024	-	29,784,743
Contractual services	7,480,739	-	-	7,480,739
Supplies and materials	2,305,694	254,050	-	2,559,744
Utilities	1,418,513	979,139	-	2,397,652
Communications	222,805	-	-	222,805
Other operating expenses	12,438,389	1,624,868	(7,679,209)	6,384,048
Scholarships and fellowships	4,057,371	-	-	4,057,371
Depreciation	2,415,598	1,460,145	-	3,875,743
Total operating expenses	59,218,828	5,223,226	(7,679,209)	56,762,845
Operating income (loss)	(29,995,807)	2,777,103	(435,558)	(27,654,262)
Nonoperating revenues (expenses):				
State appropriations	18,785,998	-	-	18,785,998
OTRS on-behalf contributions	1,491,708	-	-	1,491,708
Pass-through grant revenue	7,708,965	-	-	7,708,965
Contribution from LEDA	-	-	-	-
Charter schools program revenue	7,883,643	-	-	7,883,643
Charter schools program expenses	(7,550,021)	-	-	(7,550,021)
Investment income	736,723	143,163	-	879,886
Gain on endowment investments	(1,496,613)	-	-	(1,496,613)
Interest expense	(552,467)	(2,004,931)	-	(2,557,398)
Net nonoperating revenues	27,007,936	(1,861,768)	-	25,146,168
Gain (loss) before other revenues, expenses, gains and losses	(2,987,871)	915,335	(435,558)	(2,508,094)
State appropriations restricted for capital purposes	1,890,978	-	-	1,890,978
OCIA on-behalf payments	1,262,664	-	-	1,262,664
Additions to permanent endowments	879,788	-	-	879,788
Change in net position	1,045,559	915,335	(435,558)	1,525,336
Net position, beginning as previously reported	69,588,699	(3,618,979)	(204,325)	65,765,395
Restatement	(3,390,189)	-	-	(3,390,189)
Net position, beginning as restated	66,198,510	(3,618,979)	(204,325)	62,375,206
Net position, ending	$ 67,244,069	$ (2,703,644)	$ (639,883)	$ 63,900,542

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

Combining Statement of Cash Flows
Year Ended June 30, 2015

	2015		
	University	**LLC**	**Total**
Cash Flows from Operating Activities:			
Student tuition and fees	$ 6,974,329	$ -	$ 6,974,329
Grants and contracts	11,571,967	-	11,571,967
Auxiliary enterprise charges	48,003	7,964,492	8,012,495
Other operating receipts	568,530	-	568,530
Payments to employees for salaries and benefits	(29,272,875)	(923,255)	(30,196,130)
Payments to suppliers	(16,986,993)	(2,999,315)	(19,986,308)
Net cash provided by (used in) operating activities	(27,097,039)	4,041,922	(23,055,117)
Cash Flows from Noncapital Financing Activities:			
Federal grants and contracts	7,708,965	-	7,708,965
State and local grants and contracts	333,622	-	333,622
State appropriations	18,785,998	-	18,785,998
Direct lending receipts	16,212,688	-	16,212,688
Direct lending payments	(16,212,688)	-	(16,212,688)
Net cash provided by noncapital financing activities	26,828,585	-	26,828,585
Cash Flows from Capital and Related Financing Activities			
Cash paid for capital assets	(5,088,970)	-	(5,088,970)
Capital appropriations received	3,153,642	-	3,153,642
Proceeds of capital debt	-	-	-
Contributions from LEDA	-	-	-
Repayments of capital debt and leases	(1,691,371)	(1,365,000)	(3,056,371)
Interest paid on capital debt and leases	(616,172)	(1,983,924)	(2,600,096)
Net cash (used in) capital and related financing activities	(4,242,871)	(3,348,924)	(7,591,795)
Cash Flows from Investing Activities:			
Net purchases/sales of investments	(94,961)	(706)	(95,667)
Interest received on investments	737,042	142,842	879,884
Net cash provided by investing activities	642,081	142,136	784,217
Net increase (decrease) in cash and cash equivalents	(3,869,244)	835,134	(3,034,110)
Cash and cash equivalents:			
Beginning	23,630,110	7,038,034	30,668,144
Ending	$ 19,760,866	$ 7,873,168	$ 27,634,034

(Continued)

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

Combining Statement of Cash Flows (Continued)
Year Ended June 30, 2015

	2015 (Restated)		
	University	**LLC**	**Total**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (30,431,365)	$ 2,777,103	$ (27,654,262)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	2,415,598	1,460,145	3,875,743
On-behalf contributions to teachers' retirement system	1,491,708	-	1,491,708
Changes in operating assets and liabilities:			
Accounts, loans and other receivables	(1,742,103)	(42,083)	(1,784,186)
Deferred outflows related to pensions	69,786	-	69,786
Accounts payable and accrued expenses	3,275,053	(7,756)	3,267,297
Deferred inflows related to pensions	7,013,110	-	7,013,110
Net pension liability	(8,963,774)	-	(8,963,774)
Unearned revenues	(211,078)	14,003	(197,075)
Other current liabilities and student deposits	8,243	(159,490)	(151,247)
Compensated absences and pension benefit obligation	(22,217)	-	(22,217)
Net cash (used in) operating activities			
Net cash (used in) operating activities	$ (27,097,039)	$ 4,041,922	$ (23,055,117)
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	$ 1,262,664	$ -	$ 1,262,664
Additions to permanent endowments	879,788	$ -	879,788
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:			
Current assets:			
Cash and cash equivalents	$ 12,252,518	$ 3,536,755	$ 15,789,273
Restricted cash and cash equivalents	40,349	4,336,413	4,376,762
Noncurrent assets:			
Restricted cash and cash equivalents	7,467,999	-	7,467,999
Total cash and cash equivalents	$ 19,760,866	$ 7,873,168	$ 27,634,034

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, 2016, 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 21, 2016. Our report includes paragraphs related to a correction of an error, a change in accounting principle, and a reference to other auditors who audited the financial statements of Langston University Foundation, Inc. (the "Foundation"), the University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.

October 21, 2016

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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, 2016. 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.

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 2016-01 and 2016-02. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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, 2016.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2016-02, that we consider to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit 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 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2016, 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 21, 2016

LANGSTON UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

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 aid cluster				
Federal Pell Grants	84.063	N/A		$ 7,289,504
Federal Supplemental Education Opportunity Grants	84.007	N/A		122,364
Federal Work Study Program	84.033	N/A		274,086
Federal Direct Loan Program	84.268	N/A		18,280,330
Total Student Financial Aid Cluster				25,966,284
TRIO program cluster				
Office of Postsecondary Education-				
TRIO--Upward Bound	84.044	P047A080004-11		175,800
Total TRIO program cluster				175,800
Other Programs				
Office of Postsecondary Education				
Higher Education Institutional Aid	84.031	P031B120564		2,036,113
Higher Education Institutional Aid	84.031	P031B100005		956,847
Higher Education Institutional Aid	84.031	P031B090213		184,980
Higher Education Institutional Aid	84.031	P031B150004		649,499
Subtotal CFDA 84.031				3,827,439
TOTAL U.S. DEPARTMENT OF EDUCATION				**29,969,523**
Research and Development (R&D) Cluster				
U.S. DEPARTMENT OF AGRICULTURE				
Cooperative State Research, Education and Extension Service				
Payments to 1890 Land-Grant Colleges and Tuskee University	10.205	2014-33100-08913		192,733
Payments to 1890 Land-Grant Colleges and Tuskee University	10.205	2015-33100-08913		2,089,697
Payments to 1890 Land-Grant Colleges and Tuskee University	10.205	2016-33100-08913		25,648
Subtotal CFDA 10.205				2,308,078
Institution Capacity Building Grants	10.216	2010-38821-21581	$ 10,358	22,761
Institution Capacity Building Grants	10.216	2014-38821-22446		64,696
Institution Capacity Building Grants	10.216	2014-38821-22432		40,408
Institution Capacity Building Grants	10.216	2014-38821-22426		67,826
Institution Capacity Building Grants	10.216	2014-38821-22416		107,590
Institution Capacity Building Grants	10.216	58-0510-4-050 N		26,739
Institution Capacity Building Grants	10.216	2014-38821-22422		110,583
Institution Capacity Building Grants	10.216	2012-38821-20176	121,293	226,629
Institution Capacity Building Grants	10.216	2013-38821-21389	157,613	207,136
Institution Capacity Building Grants	10.216	2011-38821-30952	6,131	87,909
Institution Capacity Building Grants	10.216	2011-38821-30951		16,757
Institution Capacity Building Grants	10.216	2015-38821-24392		52,518
Subtotal CFDA 10.216			295,395	1,031,552
Cooperative Extension Service	10.310	2015-67031-23776		9,043
Foreign Agricultural Service	10.777	FAS# BF-CR-14-021		10,506
Foreign Agricultural Service	10.777	FAS/BF-CR-14-013		8,642
Subtotal CFDA 10.777				19,148
Cooperative Extension Service	10.500	2014-45100-08913		209,792
Cooperative Extension Service	10.500	2015-45100-08913		1,311,538
Cooperative Extension Service	10.500	2016-45100-08913		47
Cooperative Extension Service	10.500	2011-41510-08913		125
Cooperative Extension Service	10.500	2012-41510-08913		50,436
Cooperative Extension Service	10.500	2013-41510-08913		101,894
Cooperative Extension Service	10.500	2014-41510-08913		37,145
Cooperative Extension Service	10.500	2014-46000-08914		6,816
Cooperative Extension Service	10.500	2003-45200-01759		2,684,615
Subtotal CFDA 10.500				4,402,408
TOTAL U.S. DEPARTMENT OF AGRICULTURE			295,395	7,770,229

(Continued)

LANGSTON UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identification Number*	*Passed Through to Subrecipients*	*Federal Expenditures*
NATIONAL SCIENCE FOUNDATION				
Education and Human Resources	47.076	1439848		150,483
Education and Human Resources	47.076	HRD-0811826		546
Pass-through Oklahoma State University				
Education and Human Resources	47.076	AA-5-56595-LU		34,705
Subtotal for CFDA #47.076				185,734
Office of Cyberinfrastructure	47.080	OCI-1229107		1,009
Pass-through Oklahoma State University				
Office of Cyberinfrastructure	47.080	EPSCOR-2013-4/OIA-1301789		15,719
Office of Cyberinfrastructure	47.080	EPSCOR-2013-2/IIA-1301789		34,723
Subtotal for CFDA #47.080				51,451
TOTAL FOR NATIONAL SCIENCE FOUNDATION				237,185
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
National Institute for Health				
Pass-through University of Kansas Medical Center Research Institute				
Biomedical Research and Research Training	93.859	5 P20 GM 103418-15		83,661
TOTAL FOR U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				83,661
U.S. DEPARTMENT OF EDUCATION				
Office of Special Education and Rehabilitation Services				
Rehabilitation Research and Training Center Program	84.133	H133B130023	128,916	888,857
TOTAL FOR U.S. DEPARTMENT OF EDUCATION			128,916	888,857
U.S. AIR FORCE				
Defence Research Sciences	12.800	FA9550-15-1-0066		198,101
TOTAL FOR U.S. AIR FORCE				198,101
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**424,311**	**9,178,033**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Substance Abuse and Mental Health Services	93.648	1H79SP021366-01		47,070
TOTAL FOR U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				**47,070**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Pass-through Board of Regents, University of Oklahoma				
Aerospace Education Services Program	43.001	NNX11AB54H-2011-32		33,191
Education	43.008	2015-44/LU		180
NASA/Shared Services Center (NSSC)	43.008	NNX15AP43A		624,729
Subtotal for CFDA #43.008				624,909
TOTAL FOR NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				**658,100**
U.S. DEPARTMENT OF TRANSPORTATION				
Pass-through Board of Regents, University of Oklahoma				
University Transporation Centers Program	20.701	DTRT13-G-UTC36/ SUB 2014-31		41,623
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				**41,623**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 424,311**	**$ 39,894,349**

See notes to schedule of expenditures of federal awards.

LANGSTON UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Langston University (the "University") under programs of the federal government for the year ended June 30, 2016. The information in this SEFA 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 SEFA 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 SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University 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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

Year Ended June 30, 2016

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	Recinto University	$ 10,358
1890 Institution Capacity Building	10.216	University of Florida	211,104
1890 Institution Capacity Building	10.216	USDA ARS	38,051
1890 Institution Capacity Building	10.216	Oklahoma State University	29,751
1890 Institution Capacity Building	10.216	Fort Valley State	6,131
1890 Institution Capacity Building	10.216	Alabama State University	24,923
1890 Institution Capacity Building	10.216	College of Menominee	16,123
1890 Institution Capacity Building	10.216	Little Priest Tribal College	18,594
1890 Institution Capacity Building	10.216	Mercy College	24,938
1890 Institution Capacity Building	10.216	North Carolina A&T	20,540
1890 Institution Capacity Building	10.216	University of Maryland Baltamore	20,522
1890 Institution Capacity Building	10.216	University of Texas - Pan American	3,276
			$ 424,311

LANGSTON UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__X__ yes _____ none reported
Type of auditor's report issued on compliance for major 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 programs:

Program	CFDA Number
Student Financial Aid Cluster	*

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

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____ yes __X__ no

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

None to report for the June 30, 2016 period.

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

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

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

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

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

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

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

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

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

Finding 2016-02: Direct Loan Disbursement

Federal Program: CFDA # 84.268 – Federal Direct Student Loans

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

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

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

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

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

LANGSTON UNIVERSITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

2015-01

Finding: The University's cash account reconciliations, and internal controls and procedures over them did not include investigation of all reconciling items in a timely manner.

Criteria: All bank accounts should be reconciled monthly and all significant, stale and unusual reconciling items should be promptly investigated and adjusted with adequate explanations.

Condition: Reconciling items are not being reviewed and their subsequent disposition not accounted for in a timely manner.

Recommendation: We suggest that a member of management review the bank reconciliations for any unusual items, investigate and fully resolve any such items and document his or her approval within a timely manner.

Response and Corrective Action Plan: To ensure timely cash reconciliation and disposition of reconciling items, the University has agreed to work with Oklahoma State University to follow the current process utilized by all other schools in the A&M System. All cash accounts will be reconciled monthly and a detailed list of all outstanding items will be provided to the University for timely disposition. Completed reconciliations will be forwarded to the Comptroller for review and approval. Disposition of all reconciling items will be completed prior to month end.

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

2015-02

Finding: A detailed and thorough review of the trial balance and financial statements was not performed prior to the audit.

Criteria: The University should maintain a system of internal controls that ensure financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) in a timely manner.

Condition: In the process of performing our audit, we noted that there was a certain lack of review and reconciliation in many areas of the accounting function. Accounting tasks such as monthly reconciliation, cross checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise the year-end financial statements.

Recommendation: A formal year-end closing schedule should be developed to assist in closing the accounting records and preparation for the audit. Such an approach would detail all the critical steps in the year-end close, as well as the account analysis and schedule preparation that is required for the audit. Due dates would also be monitored so that the process stays on target for the established time deadline. Strict adherence to this schedule should be required because this will allow for the year-end work and audit preparation to be a much less time consuming and arduous process and provides for a review by management prior to the audit.

Response and Corrective Action Plan: The University did identify the need for several adjusting journal entries. Several of these entries were made prior to the start of fieldwork. $3.6 million of the adjustments were directly tied to reclassifications of which the University identified over $1.6 million. Additional adjustments resulted in approximately $56K impact to the statement of net position.

To ensure a more efficient year end and audit process, the University will implement new procedures using the Banner Finance System. To further improve the audit process, the University has developed a detailed checklist of all items needed for year-end closing and analysis of the working trial balance. The University believes the new procedures will help to eliminate/minimizes the need for reclassification entries and additional AJEs.

Current year status: This finding has been corrected in the current period.

2015-03

Finding: All Catalog of Federal Domestic Assistance (CFDA) numbers and their respective expenditures were not properly reported on the Schedule of Expenditures of Federal Awards ("SEFA").

Criteria: The University is responsible for preparing the SEFA, based upon the grant information obtained from the financial accounting records and the grantor. Part 5-Clusters of Programs per the Compliance Supplement identifies those programs that are considered to be clusters of Federal programs. As defined by 2 CFR section 200.17, a cluster of programs means a grouping of closely related programs that share common compliance requirements. Only programs that are considered to be a cluster should be grouped together and designated as such on the SEFA.

Condition: The June 30, 2014 SEFA was incorrectly prepared as it reported the Rehabilitation Research and Training Center Program CFDA #84.133 with the Student Financial Aid Cluster. The 2015 SEFA as originally prepared by management did not include this program in any cluster. Subsequently, the University determined that this program should be part of the Research & Development cluster. The 2015 SEFA has been corrected to reflect this classification.

Recommendation: We recommend that management of the University perform a detail review of the Statement of Revenues, Expenses, and Changes in Net Position to ensure that all amounts expended in relation to Federal awards are identified and properly reported on the SEFA. In addition, when grants and contracts are received, management should make appropriate inquiries of the grantor to determine if the amounts are to be reported in accordance with OMB Circular A-133 and that all appropriate individuals are informed as to the existence of the Federal award.

Response and Corrective Action Plan: The University has reviewed current grant files to ensure proper classification on the SEFA. The statement of work for all new grants and sub-awards will be reviewed and thoroughly upon receipt to determine the proper classification on the SEFA. This additional review will help to ensure continued compliance with OMB Circular A-133.

Current year status: This finding has been corrected in the current period.

2015-04

Program CFDA No:
Student Financial Aid Cluster – 84.063, 84.268, 84.007, 84.033, 84.379

Finding: Title IV Funds were not returned within the required time frame.

Questioned Costs: $6,211 (identified); Actual Unknown

Criteria: In accordance with 34 CFR 668.22(j)(1), "An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew."

Condition: In our withdrawal testing, in a sampling population of four students, we noted that for three of the students the return to Title IV (R2T4) refund was not returned to the Department of Education within the 45 day deadline.

Recommendation: We recommend the institution modify the process for student withdrawals

Current year status: This finding has been corrected in the current period.

2015-05

Program CFDA No:
Student Financial Aid Cluster – 84.063, 84.268, 84.007, 84.033, 84.379

Finding: Enrollment status of withdrawn and graduated students were not reported to the National Student Loan Data System (NSLDS) within the required time frame.

Criteria: In accordance with 34 CFR 682.610(c)(2)(i), "…an institution shall, upon receipt of a student status confirmation report from the Secretary of a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days if it discovers that a Stafford, SLS, or Plus loan has been made to or on behalf of a student who has ceased to be enrolled on at least a half-time basis."

In addition, in accordance with 34 CFR 668.24 "An institution shall establish and maintain, on a current basis, any application for Title IV…and program records that document…its administration of the Title IV program in accordance with all applicable requirements." Specifically, "…an institution shall keep records related to its administration of the Federal Perkins Loan,"

Condition: In our testing of 25 student status changes reported to NSLDS, we noted that there were three instances in which withdrawn and graduated students did not have their enrollment status change reported to the NSLDA via National Student Clearinghouse (NSC) within 60 days from either the date of withdrawal determination or date of graduation as required by federal regulations for NSLDS reporting.

Recommendation: We recommend the institution develop appropriate procedures that will ensure enrollment status changes, including withdrawals, changes in enrollment status, and graduation, are properly reported to NSLDS within the 60 day time frame required by federal regulations.

Response and corrective Action Plan: Management concurs with the finding and recommendation. The Student Financial Aid Department will coordinate with the IT Department to develop a report of students whose enrollment status changes at any time.

Current year status: This finding will be repeated as finding 2016-01.

2015-06

Program CFDA No:
Federal Supplemental Educational Opportunity Grants (84.007)

Finding: The institution requested and drew down funds in excess of expenditures for the Federal Supplemental Educational Opportunity Grant (FSEOG).

Criteria: In accordance with 34 CFR section 668.166(a)(1), - …the institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED. Excess cash includes any funds received from ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery.

Condition: In our testing of G5 drawdowns we noted that there were instances in which excess federal funds for the FSEOG were requested and drawn over expenditures and weren't disbursed to students or returned back to the ED within 3 business days of receipt by the institutions as required by federal regulations.

Recommendation: We recommend that the institution develop appropriate procedures to carefully review funds previously drawn and compare to reconciled expenditures to ensure excess cash position does not occur. In case any excess funds are drawn over disbursements, these funds need to be either disbursed to students or returned back to the ED via G5 within 3 business days of the receipt of funds by the institution.

Response and Corrective Action Plan: Financial Aid currently provides weekly draw-down spreadsheets to Accounting for Pell Grants and Student Loan programs. Effective immediately, these spreadsheets will include payments made from the FSEOG grant. Accounting will reconcile these amounts weekly against actual expenditures maintained in the system prior to processing federal draw-downs.

Current year status: This finding has been resolved in the current year.

2015-07

Program CFDA No:
Pell Grant (84.063)
Federal Direct Student Loans (84.268)

Finding: The institution did not award the proper amount of Pell Grants or Direct Student Loans to various students.

Criteria: The institution is responsible for developing and implementing award packaging procedures related to Pell Grants and Direct Loans that are in compliance with federal regulations. In accordance with 34 CFR 690,62(a), “The amount of a student’s Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.”

In accordance with 34 CFR 685.203, loan packaging amounts are determined based on a student’s academic year, enrollment and past lending history.

Condition: During our student file testing, we noted that one student received $25 less than their earned amount of funding based on the Federal Pell Grant Payment and Disbursement Schedules. Additionally, another student was awarded $2,000 less than their eligible annual loan award.

Recommendation: As the Pell Grant program is an entitlement program, we recommend that the student affected be correctly reimbursed for the underaward. In addition, a control process should be implemented in which as least one additional level of review be made before the posting of management adjustments for Pell Grants and all other award programs. Finally, we recommend that the institution ensure compliance with the Student Aid Handbook, Federal Pell Schedule and Direct Loan Award Limits as these are regulated by the Department of Education.

Response and Corrective Action Plan: One student was scheduled to receive $5,730 for the year from the Pell Grant program as a fulltime student. Unfortunately, when awards were adjusted manually to reflect part-time status, the counselor inadvertently awarded the wrong amount. As a result the student was underpaid by $25.00 for the year which equates to .0004% of the total Pell Grants received ($6,294,735) for the year ended June 30, 2015. We have corrected the student’s account appropriately applying the additional $25.00.

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