

LANGSTON UNIVERSITY

June 30, 2013

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AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

Board of Regents for the 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"), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University's discretely presented component unit, Langston University Foundation (the "Foundation"). We also did not audit LDF Student Housing, L.L.C (the "LLC") the University's blended component unit, which represents 23% and 24% of the University's total assets at June 30, 2013 and 2012, respectively, and 10% of the University's total revenues each year for the years ended June 30, 2013 and 2012. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and LLC, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Langston University and its discretely presented component unit, Langston University Foundation, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A to the financial statements, in 2013 the University adopted several new accounting pronouncements issued by the Governmental Accounting Standards Board, including GASB Statements No. 61, 63, and 65. The provisions of GASB Statements No. 61, 63, and 65 required the University to retroactively restate its 2012 financial statements upon adoption. In addition, as discussed in Note A to the financial statements, the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying Combining Statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Combining 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, based on our audits and the procedures performed as described above, the accompanying 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 issued our report dated October 30, 2013 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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, 2013 and 2012. 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.

The GASB has issued several new accounting pronouncements which impact the University's financial statement presentation for Fiscal Year 2013, most notably, GASB Statement No. 61, Statement No. 63 and Statement No. 65. The adoption of the provisions of these statements are treated as a change in accounting principle and as such, all periods reflected in the financial statements have been restated to reflect these changes, as well as certain other reclassifications and adjustments. The adoption of GASB Statement No. 61 requires LDF Student Housing, LLC (the "LLC") to be presented as a blended component of the University, and therefore included in the University's financial statements. This component was previously reflected as a discretely presented component. The most significant impact of blending of the LLC in the University's financial statements is reflected in increased cash, investments and long-term debt, compared to the University's stand-alone position, and impacts the net position.

FINANCIAL HIGHLIGHTS

- Net position for the University amounted to \$95,938,872, \$92,054,109 and \$88,727,646 for the years ended June 30, 2013, 2012, and 2011, respectively. The increase in net position during fiscal year 2013 was substantially in the nonexpendable restricted net position from contributions to and reinvested earnings in the University's endowment. Additionally, the restricted expendable net position also increased, substantially related to reduced debt service and capital projects.
- Total revenues amounted to \$70,695,368, \$73,278,861 and \$76,549,869 for the years ended June 30, 2013, 2012, and 2011, respectively. The decline in revenues for fiscal year 2013 substantially reflects the impact of lower student enrollment on tuition, fees, housing, meal plans, and pass through grants. A significant enrollment decline was anticipated because of strict enforcement of University policies regarding payment of balances prior to enrollment.
- Total expenses amounted to \$66,810,605, \$69,952,398 and \$69,177,511 for the years ended June 30, 2013, 2012, and 2011, respectively. All categories of operating expenses decreased, with the exception of supplies and materials costs and other operating expenses. The most significant decreases were in compensation and employee benefits, contractual services and scholarships and fellowships. Compensation and employee benefits expenses decreased significantly in 2013 due to budgeted positions that went unfilled during the year as well as a reduction of health care costs in the last six months of the fiscal year. The contractual services decline is primarily reflected in restricted funds, related to various projects covered by grants as well as certain weather-related damages not covered by insurance. Scholarships and fellowships declined due to reduced levels of student financial aid due to lower enrollment. Supplies and materials increased primarily in restricted funds largely for office and program supplies. Other operating expenses increased substantially because of equipment purchases related to grants and contracts that did not meet the University's capitalization limits.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

CONDENSED STATEMENTS OF NET POSITION

A comparative schedule of the University's net position for the years ended June 30, 2013, 2012, and 2011 is shown below, including the percentage of annual change:

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)	2013 vs. 2012 Percentage Change	2012 vs. 2011 Percentage Change
Current assets	\$ 32,074,862	\$ 32,441,578	\$ 31,650,234	\$ (366,716)	\$ 791,344	-1.1%	2.5%
Noncurrent assets:							
Capital assets, net of depreciation	94,892,543	96,424,965	98,517,333	(1,532,422)	(2,092,368)	-1.6%	-2.1%
Other	45,402,280	42,133,154	40,404,743	3,269,126	1,728,411	7.8%	4.3%
Total assets	<u>\$ 172,369,685</u>	<u>\$ 170,999,697</u>	<u>\$ 170,572,310</u>	<u>\$ 1,369,988</u>	<u>\$ 427,387</u>	<u>0.8%</u>	<u>0.3%</u>
Deferred outflows of resources	\$ 318,376	\$ 424,501	\$ 580,974	\$ (106,125)	\$ (156,473)	-25.0%	-26.9%
Current liabilities	\$ 10,140,896	\$ 10,039,674	\$ 10,401,944	\$ 101,222	\$ (362,270)	1.0%	-3.5%
Noncurrent liabilities	66,608,293	69,330,415	72,023,694	(2,722,122)	(2,693,279)	-3.9%	-3.7%
Total liabilities	<u>\$ 76,749,189</u>	<u>\$ 79,370,089</u>	<u>\$ 82,425,638</u>	<u>\$ (2,620,900)</u>	<u>\$ (3,055,549)</u>	<u>-3.3%</u>	<u>-3.7%</u>
Net position:							
Net investment in capital assets	\$ 25,948,375	\$ 26,392,917	\$ 26,010,551	\$ (444,542)	\$ 382,366	-1.7%	1.5%
Restricted - nonexpendable	37,744,636	35,636,405	33,704,323	2,108,231	1,932,082	5.9%	5.7%
Restricted - expendable:							
Scholarships, research, instruction, other	599,553	684,797	304,368	(85,244)	380,429	-12.4%	125.0%
Loans	556,998	707,352	728,464	(150,354)	(21,112)	-21.3%	-2.9%
Capital projects	1,991,484	1,427,578	1,124,433	563,906	303,145	39.5%	27.0%
Debt service	12,392,721	11,065,208	10,785,738	1,327,513	279,470	12.0%	2.6%
Unrestricted	16,705,105	16,139,852	16,069,769	565,253	70,083	3.5%	0.4%
Total net position	<u>\$ 95,938,872</u>	<u>\$ 92,054,109</u>	<u>\$ 88,727,646</u>	<u>\$ 3,884,763</u>	<u>\$ 3,326,463</u>	<u>4.2%</u>	<u>3.7%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

CONDENSED STATEMENTS OF NET POSITION--Continued

FY 2013 vs. FY 2012

Total assets increased \$1,369,988 during Fiscal Year 2013 to a total of \$172,369,685. The most significant increases were reflected in cash and cash-equivalents, investments and other receivables. Cash and cash-equivalents increased \$590,436 primarily because of decreased operating expenses which were substantially offset by revenues related to student enrollment declines. The \$2,206,310 increase in investments primarily reflects a contribution to the University's endowment in the amount of \$1,663,652 and reinvestment of interest income. Other assets increased \$580,127 largely due to an \$879,000 draw request in transit at year-end of Section 13/New College Funds held by the trustee. These increases were partially offset by a decrease of \$1,532,422 in net investments in capital assets and net accounts receivable. Capital assets before accumulated depreciation increased by \$1,893,158 primarily reflecting construction in progress and equipment additions, net of asset disposals. However, accumulated depreciation increased by \$3,425,580 related to projects completed in late 2012 and in 2013 resulting in a decrease in net capital assets. Declines in net accounts receivable reflects the University's enforcement of payment policies, lower enrollment, and an increase in provision for accounts anticipated to be uncollectible.

In FY 2010, an existing OCIA capital lease was restructured that resulted in certain deferred payments. In accordance with GASB Statement No. 65, these deferred costs are now included in the Statement of Net Position separately from total assets and reflected as Deferred Outflows of Resources. The decrease in deferred outflows in Fiscal Year 2013 compared to Fiscal Year 2012 reflects the amortization of these deferred costs.

Total liabilities declined \$2,620,900 primarily reflecting reductions in long-term debt, which declined \$2,091,861 reflecting debt service payments. Other liabilities reflected a decline in accrued compensated absences because of unfilled positions, reduced student deposits due to lower enrollment and amortization of unearned revenue. These were partially offset by increases in accounts payable reflecting outstanding capital projects at year-end 2013.

Net position increased \$3,884,763 most significantly in the nonexpendable net position which increased \$2,108,231 primarily related to contributions to the University's endowment and reinvestment of interest earned. The restricted expendable net position increased by \$1,655,821, reflecting reductions in long-term debt. The net position invested in capital assets declined by \$444,542, as increases to accumulated depreciation exceeded net capital asset additions. The unrestricted net position increased by \$565,253, reflecting decreases in E&G I and Auxiliary, which were offset by an increase in unrestricted indirect costs. E&G I decreases of \$158,405 reflect the use of reserves during Fiscal Year 2013 for capital and other projects. The \$424,574 decline in the Auxiliary net position reflects the reduction in student revenue due to lower enrollment. Unrestricted indirect costs increased \$1,148,232 primarily reflecting an increase in the negotiated rate of indirect costs paid by grants, funding of fewer capital projects than in the previous year resulting in increased cash, and decreased liabilities related to grants and contracts at year-end.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

CONDENSED STATEMENTS OF NET POSITION--Continued

FY 2012 vs. FY 2011

Total assets increased \$427,387 to a total of \$ 170,999,697 at June 30, 2012. The most significant increases were reflected in cash and cash-equivalents and investments. Cash and cash-equivalents increased \$2,759,012 primarily because of increased revenues from tuition and fees, housing and meal plans. The \$1,331,044 increase in investments primarily reflects a contribution to the University's endowment in the amount of \$1,646,236, and partially offset by the loss recognized on investment market valuation at year-end. These increases were partially offset by decreases in contract and grant receivables, OCIA lease receivable and net investments in capital assets. Contract and grant receivables declined due to fewer outstanding reimbursements at year end, as well as a reduction in grants and contracts. The OCIA lease receivable declined to \$0 after all funds were drawn to complete the related projects. The decline in net investment in capital assets primarily reflects depreciation on construction projects completed in late Fiscal Year 2011 and construction in progress completed during Fiscal Year 2012.

The \$156,473 decrease in deferred outflows of resources reflects the amortization of the deferred costs associated with the OCIA Capital Lease restructure.

Total liabilities declined \$3,055,549, primarily reflecting reductions in long-term debt. Debt obligations declined \$2,320,183 reflecting both debt service payments and refinancing. Additionally, accounts payable declined by \$1,199,473 due to completion of capital projects, but were partially offset by increases in accrued liabilities, accrued compensated absences, and amortization of unearned revenue.

The University's net position increased \$3,326,463, most significantly in the nonexpendable net position which increased \$1,932,082 primarily related to contributions and reinvestments of earned interest to the University's endowment. The restricted expendable net position increased \$941,932, reflecting changes in restricted debt service, capital projects and other. The net position invested in capital assets increased \$382,366. The unrestricted net position increased by \$70,083, reflecting a \$431,380 increase in E&G I and \$137,362 increase in Auxiliary. These increases were substantially offset by a \$498,658 decline in indirect costs related to grants and contracts, reflecting the utilization of these to fund certain capital project needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

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, 2013, 2012, and 2011:

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)	2013 vs. 2012 Percentage Change	2012 vs. 2011 Percentage Change
OPERATING REVENUES							
Student tuition and fees, net	\$ 7,268,150	\$ 8,804,403	\$ 8,152,226	\$ (1,536,253)	\$ 652,177	-17.4	8.0%
Federal, state and local grants/contracts	15,415,103	14,839,587	15,583,927	575,516	(744,340)	3.9%	-4.8%
Auxiliary	6,329,779	7,395,353	7,257,737	(1,065,574)	137,616	-14.4%	1.9%
Other	653,730	684,315	708,729	(30,585)	(24,414)	-4.5%	-3.4%
TOTAL OPERATING REVENUES	29,666,762	31,723,658	31,702,619	(2,056,896)	21,039	-6.5%	0.1%
OPERATING EXPENSES							
Compensation and employee benefits	30,820,556	33,225,012	32,063,968	(2,404,456)	1,161,044	-7.2%	3.6%
Contractual services	3,525,565	4,060,912	4,414,274	(535,347)	(353,362)	-13.2%	-8.0%
Supplies and materials	1,442,757	1,250,292	1,621,168	192,465	(370,876)	15.4%	-22.9%
Utilities	2,180,403	2,297,122	2,221,200	(116,719)	75,922	-5.1%	3.4%
Communications	144,790	203,540	180,563	(58,750)	22,977	-28.9%	12.7%
Other operating expense	10,297,905	9,653,209	8,520,718	644,696	1,132,491	6.7%	13.3%
Scholarships and fellowships	5,084,967	5,626,049	6,878,629	(541,082)	(1,252,580)	-9.6%	-18.2
Depreciation	3,850,401	3,869,687	3,790,887	(19,286)	78,800	-0.5%	2.1%
TOTAL OPERATING EXPENSES	57,347,344	60,185,823	59,691,407	(2,838,479)	494,416	-4.7%	0.8%
OPERATING LOSS	(27,680,582)	(28,462,165)	(27,988,788)	781,583	(473,377)	-2.7%	1.7%
NONOPERATING REVENUES (EXPENSES)							
State appropriations	18,593,524	18,409,735	18,532,256	183,789	(122,521)	1.0%	-0.7%
Federal ARRA Funds	-	-	1,171,401	-	(1,171,401)	0.0%	-100.0
OTRS on-behalf contributions	1,687,000	1,742,000	1,327,000	(55,000)	415,000	-3.2%	31.3%
Pass-through grant revenue	7,369,509	9,414,791	9,920,009	(2,045,282)	(505,218)	-21.7%	-5.1%
Contribution from LEDA	1,000,000	-	-	1,000,000	-	0.0%	0.0%
Charter schools program revenue	6,631,625	6,589,778	6,300,333	41,847	289,445	0.6%	4.6%
Charter schools program expenses	(6,366,759)	(6,336,251)	(6,072,803)	(30,508)	(263,448)	0.5%	4.3%
Investment income	908,682	962,641	994,562	(53,959)	(31,921)	-5.6%	-3.2%
Gain on endowment investments	218,528	(138,357)	1,703,770	356,885	(1,842,127)	-257.9%	-108.1%
Interest expense	(3,096,502)	(3,291,967)	(3,413,301)	195,465	121,334	-5.9%	-3.6%
NET NONOPERATING REVENUES (EXPENSES)	26,945,607	27,352,370	30,463,227	(406,763)	(3,110,857)	-1.5%	-10.2%
INCOME (LOSS) BEFORE OTHER REVENUE (EXPENSE)	(734,975)	(1,109,795)	2,474,439	374,820	(3,584,234)	-33.8%	-144.9%
OTHER INCOME (EXPENSE)	4,619,738	4,436,258	4,897,919	183,480	(461,661)	4.1%	-9.4%
CHANGE IN NET POSITION	3,884,763	3,326,463	7,372,358	558,300	(4,045,895)	16.8%	-54.9%
NET POSITION, BEGINNING OF YEAR	92,054,109	88,727,646	81,355,288	3,326,463	7,372,358	3.7%	9.1%
NET POSITION, END OF YEAR	\$ 95,938,872	\$ 92,054,109	\$ 88,727,646	\$ 3,884,763	\$ 3,326,463	4.2%	3.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

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

FY 2013 vs. FY 2012

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 the year ended June 30, 2013, total revenues decreased \$2,583,493. Decreases in student-related revenues, including net student tuition and fees, housing, meal plans and pass through grant revenue amounted to \$4,552,880. Net student tuition and fees declined \$1,536,253, generally reflecting the anticipated decline in enrollment to address student payment issues, as well as an increase in the provision for uncollectible accounts. The lower enrollment was also reflected in the decline of pass through grant revenues by \$2,045,282, as well as housing and meal plan revenues which declined by \$971,345. These decreases were partially offset by increases in state appropriations for both operations and capital purposes amounting to \$455,177, gains on endowment and other investments of \$218,528, as well as a \$1,000,000 contribution from Langston Economic Development Authority ("LEDA"), the bond issuer for the 2005 and 2006 housing bonds financing the apartments owned by LLC. This contribution was made to assist this entity with meeting its debt covenant due to decreased occupancy caused by the lower enrollment. The University's liability on these bonds is limited to a net revenue pledge on University-owned housing, which currently has limited use. LEDA has a derivative investment that was transacted with the original bond financing related to one of the apartments.

Total expenses decreased \$3,141,793 from the previous year, with the most significant decreases being reflected in compensation and employee benefits, contractual services, scholarships and fellowships, market losses on investments, and interest expense. Compensation and employee benefits expenses decreased \$2,404,456 due to a significant number of budgeted, but unfilled, positions during Fiscal Year 2013, as well as a reduction in health insurance costs during the last six months of the fiscal year. Contractual services declined \$535,347 with the completion of substantial capital projects in late Fiscal 2012 and early Fiscal Year 2013. Additionally, fewer large capital projects were started during the current fiscal year. Scholarships and fellowships declined \$541,082 reflecting financial aid decreases associated with the lower enrollment. A net loss of \$138,357 on the endowment and other investments was recognized in Fiscal Year 2012, compared to a modest gain reflected in 2013. Interest expense declined \$195,465 with lower debt levels. Partially offsetting these decreases was an increase in other operating expense of \$644,696, primarily reflecting non-capitalized equipment expenses related to grants and contracts.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

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

FY 2012 vs. FY 2011

For the year ended June 30, 2012 total revenues decreased \$3,271,008. The most significant declines were due to the nonrenewal of \$1,171,401 in Federal ARRA funding, a \$138,357 loss on endowment and investments compared to a gain of \$1,703,770 in the previous year, reduced pass through grant revenue of \$505,218 due to reductions in Pell and other state and federal grants, and reduced state appropriations for operations and capital purposes of \$631,362. These decreases were partially offset by increases in net tuition and fees and OTRS on-behalf contributions. Net student tuition and fees increased \$652,177, generally reflecting a five percent increase in tuition rates. OTRS on-behalf contributions increased \$415,000 reflecting the OTRS impact of both a modest salary administration plan and increased health insurance costs.

Total expenses increased \$774,887 from the previous year, with the most significant increases being reflected in compensation and employee benefits, other operating expenses, charter school program expenses, and a \$138,357 loss on endowment investments due to market depreciation. Compensation and employee benefits expenses increased \$1,161,044, reflecting a modest salary administration program and significant increases in health insurance costs. Other operating expenses increased \$1,132,491 due to primarily due to the write-off of a prior year deferred credit, as well as reduced data consulting, and reduced purchases of equipment and project expenses that did not meet the University's capitalization requirements. Interest expense declined \$121,334 as the result of debt service payments and refinancing. Partially offsetting the increases in expenses are the reductions in scholarships and fellowships amounting to \$1,252,580, supplies and materials amounting to \$370,876, and contractual services amounting to \$353,362. The decline in scholarships and fellowships was due to an increase in scholarship discounts and allowances caused by a reduction in Pell grants and third party payments, partially offset by increases in University awards. Supplies and materials and contractual services declined substantially because of the completion of major projects in late Fiscal Year 2011 and during Fiscal Year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

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, 2013, 2012, and 2011 as reflected in its financial statements.

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)	2013 vs. 2012 Percentage Change	2012 vs. 2011 Percentage Change
CASH PROVIDED BY (USED IN):							
Operating activities	\$ (22,268,494)	\$ (22,357,471)	\$ (22,868,269)	\$ 88,977	\$ 510,798	-0.4%	-2.2%
Noncapital financing activities	26,227,899	28,078,053	29,851,196	(1,850,154)	(1,773,143)	-6.6%	-5.9%
Capital and related financing activities	(3,953,521)	(4,101,046)	(4,638,513)	147,525	537,467	-3.6%	-11.6%
Investing activities	<u>584,552</u>	<u>1,139,476</u>	<u>(425,269)</u>	<u>(554,924)</u>	<u>1,564,745</u>	<u>-48.7%</u>	<u>-367.9%</u>
NET INCREASE IN CASH	590,436	2,759,012	1,919,145	(2,168,576)	839,867	-78.6%	43.8%
CASH, BEGINNING OF YEAR	<u>30,017,141</u>	<u>27,258,129</u>	<u>25,338,984</u>	<u>2,759,012</u>	<u>1,919,145</u>	<u>10.1%</u>	<u>7.6%</u>
CASH, END OF YEAR	<u>\$ 30,607,577</u>	<u>\$ 30,017,141</u>	<u>\$ 27,258,129</u>	<u>\$ 590,436</u>	<u>\$ 2,759,012</u>	<u>2.0%</u>	<u>10.1%</u>

FY 2013 vs. 2012

Cash and cash-equivalents amounted to \$30,607,577 at June 30, 2013, a \$590,436 increase from the previous year. Net cash used in operating activities amounted to \$22,268,494, a decrease of \$88,977 from the previous year, primarily from decreases in tuition and fees, revenues from grants and contracts, and meal plan and housing revenues. These decreases were partially offset by decreased compensation expenses as well as decreased payments to suppliers largely due to construction projects completed in Fiscal Year 2012 and early 2013. Net cash provided by noncapital financing activities decreased \$1,850,154 primarily reflecting decreases in grants and contracts, partially offset by increases in state appropriations for operations and capital purposes. Net cash used by capital and related financing activities declined by \$147,525 reflecting the completion of certain construction projects and reduced proceeds from debt, but substantially offset by a \$1,000,000 contribution from LEDA to the LLC. Cash provided by investing activities decreased by \$554,924, primarily reflecting net sales of investments compared to net purchases the previous year.

FY 2012 vs. 2011

Cash and cash equivalents increased \$2,759,012 to \$30,017,141 at June 30, 2012 from the previous year. Cash used in operating activities decreased \$510,798. This change reflects the increase in net student tuition and fees and grants and contract revenues increased, partially offset, however, by increased compensation expenses. Cash provided by noncapital financing activities decreased \$1,773,143 primarily reflecting the nonrenewal of Federal ARRA funds and decreases in grants and contracts. Cash used by capital and related financing activities declined by \$537,467 substantially reflecting the completion of certain major construction projects. Cash provided by investing activities increased by \$1,564,745, primarily reflecting the endowment contribution for Fiscal Year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

CAPITAL ASSETS

The following table represents the University's capital assets at June 30, 2013, 2012, and 2011:

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)	2013 vs. 2012 Percentage Change	2012 vs. 2011 Percentage Change
Land	\$ 2,409,222	\$ 2,401,482	\$ 2,401,482	\$ 7,740	\$ -	0.3%	0.0%
Construction in-progress	794,460	213,533	1,044,542	580,927	(831,009)	272.1%	-79.6%
Buildings and improvements	116,028,107	115,829,222	113,938,017	198,885	1,891,205	0.2%	1.7%
Infrastructure	3,669,991	3,373,383	3,127,794	296,608	245,589	8.8%	7.9%
Equipment	16,430,826	15,402,922	14,931,387	1,027,904	471,535	6.7%	3.2%
Library materials	4,317,739	4,536,645	4,536,645	(218,906)	-	-4.8%	0.0%
TOTAL	143,650,345	141,757,187	139,979,867	1,893,158	1,777,320	1.3%	1.3%
Less: accumulated depreciation	(48,757,802)	(45,332,222)	(41,462,535)	(3,425,580)	(3,869,687)	7.6%	9.3%
CAPITAL ASSETS, net	\$ 94,892,543	\$ 96,424,965	\$ 98,517,332	\$ (1,532,422)	\$ (2,092,367)	-1.6%	-2.1%

FY 2013 vs. 2012

Capital assets amounted to \$94,892,543 at June 30, 2013 compared to \$96,424,965 at June 30, 2012. The decrease of \$1,532,422 in fiscal year 2013 reflects \$1,893,158 in asset additions, net of disposals, but offset by a \$3,425,580 increase in accumulated depreciation from projects completed in late Fiscal Year 2012 and 2013. Net capital additions were substantially in equipment and infrastructure, while the most significant increases in accumulated depreciation was reflected in buildings and improvements and equipment. Increases in infrastructure costs of \$296,608 primarily relate to various projects such as lighting, flooring, sprinklers and security equipment.

FY 2012 vs. 2011

Capital assets amounted to \$96,424,965 at June 30, 2012, a decrease of \$2,092,367 from the prior year. Capital assets before accumulated depreciation increased \$1,777,320. However, the \$3,869,687 increase in accumulated depreciation on the completed capital projects resulted in a net decrease in net value of capital assets. Buildings and improvements increased \$1,891,205, including \$1,679,038 in transfers from construction in progress. Equipment increased \$471,535, primarily for research lab equipment, air conditioning, and technology equipment. Increases in infrastructure costs of \$245,589 related primarily to sidewalks and parking lots.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

LONG-TERM LIABILITIES

The following table presents the University's long-term liabilities as of June 30, 2013, 2012, and 2011:

	2013	2012	2011	2013 vs. 2012 Increase (Decrease)	2012 vs. 2011 Increase (Decrease)	2013 vs. 2012 Percentage Change	2012 vs. 2011 Percentage Change
OCIA capital leases	\$ 16,779,527	\$ 17,054,888	\$ 17,426,160	\$ (275,361)	\$ (371,272)	-1.6%	-2.1%
ODFA lease obligation	1,116,000	1,324,000	1,740,000	(208,000)	(416,000)	-15.7%	-23.9%
Bonds payable	49,940,000	51,560,000	53,105,000	(1,620,000)	(1,545,000)	-3.1%	-2.9%
Premium on capital leases	191,228	202,474	213,683	(11,246)	(11,209)	-5.6%	-5.2%
Discount on bonds	(281,642)	(304,388)	(327,686)	22,746	23,298	-7.5%	-7.1%
TOTAL LONG-TERM DEBT	67,745,113	69,836,974	72,157,157	(2,091,861)	(2,320,183)	-3.0%	-3.2%
Other liabilities	1,443,249	1,670,247	1,945,017	(226,998)	(274,770)	-13.6%	-14.1%
TOTAL LONG-TERM LIABILITIES	\$ 69,188,362	\$ 71,507,221	\$ 74,102,174	\$ (2,318,859)	\$ (2,594,953)	-3.2%	-3.5%

FY 2013 vs. FY 2012

Long-term liabilities declined \$2,318,859 in 2013 to \$69,188,362 at June 30, 2013, primarily reflecting a \$2,091,860 reduction in long-term debt obligations. Other long-term liabilities reflect a \$225,000 decline in unearned revenue associated with the student meal plan vendor in accordance with scheduled amortization.

FY 2012 vs. FY 2011

Long-term liabilities declined \$2,594,953 in 2012 to \$71,507,221 at June 30, 2012. Long-term debt declined \$2,320,183 primarily reflecting scheduled payments on the existing obligations. The ODFA master lease obligation was refinanced into an ODFA lease obligation during Fiscal Year 2012, resulting in lower interest payments while retaining the same remaining term as the original debt. Long-term unearned revenue associated with the student meal plan vendor declined by \$225,000 in accordance with scheduled amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

ECONOMIC FACTORS AND THE UNIVERSITY'S FUTURE

Tuition was increased by 5% for undergraduate and graduate programs for FY 2014 and 7% for its doctoral program. Mandatory fees of \$8.00 per credit hour were added for activities and specific services such as career placement and counseling. Apartment housing charges increased 5% effective fall semester 2013 to better assure compliance with debt covenants, while still considering student affordability. Meal plan costs also increased by 5% for Fiscal Year 2014

Title III Part B funding for 2014 will decrease by approximately \$105,306 beginning October 1, 2013. The Title III budget of \$2,251,442 for FY 2014 substantially covers personnel, and includes critical functions such as Public Health, Basic Skills, Teacher Education, Accountancy, Institutional Advancement, Faculty Development, Project Administration, and Technology. Further loss of these funds would require the University's state budget to absorb some of these costs or eliminate these programs. Additionally, the University receives Department of Education Funding under the Student Aid and Fiscal Responsibility Act. The amount to be received in Fiscal Year 2014 is approximately \$905,759, or down nearly \$36,000 from the previous year. The University received \$897,843 from the Department of Education Historically Black Graduate Institute funds for federal fiscal year ending September 30, 2013. However, the University was notified these funds would not be available for the current fiscal year due to sequestration reductions.

During Fiscal Year 2013 the University enforced stricter compliance with University policies regarding the payment of outstanding receivables prior to enrollment. As a result, enrollment declined, as anticipated, in Fiscal Year 2013. It was originally anticipated that the decline could occur beyond Fiscal Year 2013, however the University now feels the declines may be short-lived. Fall Semester 2013 enrollment is approximately even with Fall Semester 2012, with the Langston Campus experiencing an increase in students over the prior year, and reflecting the largest freshmen class in the University's history. During Fiscal Year 2013, the University contracted with an enrollment marketing firm that assisted in identification and communication with potential students who met specific target parameters. These efforts contributed to the large freshmen class, with a higher percentage of students who are college-ready. These efforts will continue to be expanded in Fiscal Year 2014.

In addition to subsidized and unsubsidized loans, the U. S. Department of Education has a loan program, Parent Plus, to provide affordable college loans available to parents to assist students with their education. If a parent is denied a loan based upon credit criteria, the student is eligible for an increase in their unsubsidized loans. The credit criteria for Parent Plus loans have recently eased, and the Department of Education has allowed certain reconsideration requests. At the current time, an insignificant number of reconsiderations have been approved and accepted.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

LANGSTON UNIVERSITY

For the Years Ended June 30, 2013, 2012 and 2011

ECONOMIC FACTORS AND THE UNIVERSITY'S FUTURE--Continued

The University currently has \$7,310,000 in revenue bonds payable related to its stadium and gymnasium. The University plans to refund these bonds and participate in the state's Master Lease program for the same remaining term at lower rates. It is anticipated that this would have a significant annual cash savings per year. It is anticipated bonds for this Master Lease program could be funded in January 2014.

It is anticipated the University will use approximately \$2.3 million in unrestricted reserves during Fiscal Year 2014 to finance the construction of and equipping a new police department building and is anticipated to be completed Spring 2014. It is possible that additional reserves may be used in Fiscal Years 2014 and 2015 for capital projects and other needs.

The 2014 budget for the University does not currently reflect a merit or salary administration plan for Fiscal Year 2014. This could be re-evaluated if revenues increase more than anticipated for the fall semester 2013. Employee benefit costs are not anticipated to increase significantly for calendar year 2014, with the exception of health care. The University's health insurer will increase premiums by 7.96% effective January 1, 2014, reflecting both claims as well as the impact of changes required by the Affordable Care Act. 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 2014. Health insurance and OTRS contributions are the most significant of amounts included in employer-paid benefit options.

Market valuations of investments in the University's endowment reflected significant market volatility during Fiscal Year 2013, especially during its fourth quarter. Any sustained market losses during Fiscal Year 2014 will have an impact on the amount of available endowment funds which can be distributed for use in FY 2015. The University anticipates an endowment draw during FY 2014 of \$3,705,000 to fund scholarships and enrollment and retention initiatives. This level of endowment support is not anticipated, nor sustainable, for the long-term. This level of financial support, however, was deemed appropriate in Fiscal Year 2014 to meet short-term enrollment and retention goals of the University.

State revenues are currently down 4% in the first quarter of Fiscal Year 2014 compared to the same period the previous fiscal year. As such, state agencies have been alerted to the possibility of flat budgets in state appropriations for Fiscal Year 2015. Future state appropriations, student enrollments, valuations of the University's endowment and other investments, as well as actions required by the University regarding student tuition and fees, faculty and staff employment, and budgeted expenditures, are impacted by the state and national economies. It is always the University's intent to keep student charges as affordable as possible, while balancing the needs of the University. It is the University's expectation, however, to continue to make the University an affordable option for its students.

STATEMENTS OF NET POSITION

LANGSTON UNIVERSITY

	University		Component Unit	
	June 30		June 30	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 20,766,541	\$ 21,233,705	\$ 686,974	\$ 437,454
Restricted cash and cash equivalents	4,422,559	4,463,200	-	-
Investments	2,612,907	2,577,482	1,358,046	1,240,235
Accounts receivable, net	661,063	1,152,721	-	-
Contract and grant receivables	1,115,857	1,014,853	-	-
Other assets	2,429,523	1,849,396	118,453	151,501
Interest receivable	56,964	58,988	-	-
Student loans receivable, net	9,448	91,233	-	-
TOTAL CURRENT ASSETS	32,074,862	32,441,578	2,163,473	1,829,190
NONCURRENT ASSETS				
Restricted cash and cash equivalents	5,418,477	4,320,236	-	-
Investments	39,983,803	37,812,918	-	-
Capital assets, net	94,892,543	96,424,965	-	-
TOTAL NONCURRENT ASSETS	140,294,823	138,558,119	-	-
TOTAL ASSETS	\$172,369,685	\$170,999,697	\$ 2,163,473	\$ 1,829,190
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on				
OCIA lease restructure	\$ 318,376	\$ 424,501	\$ -	\$ -

STATEMENTS OF NET POSITION--Continued

LANGSTON UNIVERSITY

	University		Component Unit	
	June 30		June 30	
	2013	2012	2013	2012
		<i>(Restated)</i>		
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 2,989,928	\$ 2,393,546	\$ -	\$ -
Accrued liabilities	713,667	769,245	-	-
Other current liabilities	280,501	322,127	-	-
Unearned revenues	594,854	860,991	-	-
Student and other deposits	287,031	500,085	-	-
Accrued interest payable	342,054	350,912	-	-
Notes payable	296,784	269,155	-	-
Accrued compensated absences	2,281,009	2,621,806	-	-
Current portion of noncurrent liabilities	2,355,070	1,951,807	-	-
TOTAL CURRENT LIABILITIES	10,140,898	10,039,674	-	-
NONCURRENT LIABILITIES,				
net of current portion				
Unearned revenues	812,500	1,037,500	-	-
Accrued pension benefit and OPEB obligation	405,749	407,747	-	-
Revenue bonds payable	47,958,357	49,635,612	-	-
Capital lease obligations payable to state agencies	17,431,685	18,249,556	-	-
TOTAL NONCURRENT LIABILITIES	66,608,291	69,330,415	-	-
TOTAL LIABILITIES	\$ 76,749,189	\$ 79,370,089	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 25,948,375	\$ 26,392,917	\$ -	\$ -
Restricted:				
Nonexpendable	37,744,636	35,636,405	1,000,000	1,000,000
Expendable:				
Scholarships, research, instruction and other	599,553	684,797	-	-
Loans	556,998	707,352	-	-
Capital projects	1,991,484	1,427,578	-	-
Debt service	12,392,721	11,065,208	-	-
Unrestricted	16,705,105	16,139,852	1,163,473	829,190
TOTAL NET POSITION	\$ 95,938,872	\$ 92,054,109	\$ 2,163,473	\$ 1,829,190

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

LANGSTON UNIVERSITY

	University		Component Unit	
	Years Ended June 30, 2013	2012 <i>(Restated)</i>	Years Ended June 30, 2013	2012
OPERATING REVENUES				
Student tuition and fees, net of scholarship discounts and allowances of \$3,649,000 and \$4,856,000 in 2013 and 2012, respectively	\$ 7,268,150	\$ 8,804,403	\$ -	\$ -
Federal grants and contracts	14,478,975	13,997,203	-	-
State and local grants and contracts	338,565	528,980	-	-
Non-governmental grants and contracts	597,563	313,404	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship discounts and allowances of \$2,236,000 and \$2,759,000 in 2013 and 2012, respectively	4,326,268	4,999,169	-	-
Food services, net of scholarship discounts and allowances of \$823,000 and \$1,063,000 in 2013 and 2012, respectively	1,785,021	2,083,465	-	-
Athletics	47,806	138,673	-	-
All other	170,684	174,046	-	-
Gifts and contributions	-	-	650,291	636,140
Other operating revenues	653,730	684,315	-	-
TOTAL OPERATING REVENUES	29,666,762	31,723,658	650,291	636,140
OPERATING EXPENSES				
Compensation and employee benefits	30,820,556	33,225,012	-	-
Contractual services	3,525,565	4,060,912	-	-
Supplies and materials	1,442,757	1,250,292	-	-
Utilities	2,180,403	2,297,122	-	-
Communications	144,790	203,540	-	-
Other operating expenses	10,297,905	9,653,209	421,294	526,043
Scholarships and fellowships	5,084,967	5,626,049	39,564	155,141
Depreciation	3,850,401	3,869,687	-	-
TOTAL OPERATING EXPENSES	57,347,344	60,185,823	460,858	681,184
OPERATING INCOME (LOSS)	(27,680,582)	(28,462,165)	189,433	(45,044)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	18,593,524	18,409,735	-	-
OTRS on-behalf contributions	1,687,000	1,742,000	-	-
Pass-through grant revenue	7,369,509	9,414,791	-	-
Contribution from LEDA	1,000,000	-	-	-
Charter schools program revenue	6,631,625	6,589,778	-	-
Charter schools program expenses	(6,366,759)	(6,336,251)	-	-
Investment income	908,682	962,641	144,850	2,771
Gain (loss) on endowment investments	218,528	(138,357)	-	-
Interest expense	(3,096,502)	(3,291,967)	-	-
NET NONOPERATING REVENUES	26,945,607	27,352,370	144,850	2,771
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(734,975)	(1,109,795)	334,283	(42,273)
State appropriations restricted for capital purposes	2,222,928	1,951,540	-	-
OCIA on-behalf payments	733,158	838,482	-	-
Additions to permanent endowments	1,663,652	1,646,236	-	-
CHANGE IN NET POSITION	3,884,763	3,326,463	334,283	(42,273)
NET POSITION AT BEGINNING OF YEAR (RESTATED)	92,054,109	88,727,646	1,829,190	1,871,463
NET POSITION AT END OF YEAR	\$ 95,938,872	\$ 92,054,109	\$ 2,163,473	\$ 1,829,190

See notes to financial statements.

STATEMENTS OF CASH FLOWS

LANGSTON UNIVERSITY

	Years Ended June 30	
	2013	2012
		<i>(Restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 7,309,877	\$ 9,128,165
Grants and contracts	15,127,054	16,074,175
Auxiliary enterprise charges	6,661,969	7,019,841
Other operating receipts	77,185	489,262
Payments to employees for salaries and benefits	(29,476,350)	(31,214,196)
Payments to suppliers	<u>(21,968,229)</u>	<u>(23,854,718)</u>
NET CASH USED IN OPERATING ACTIVITIES	(22,268,494)	(22,357,471)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal grants and contracts	7,369,509	9,414,791
State and local grants and contracts	264,866	253,527
State appropriations	18,593,524	18,409,735
Direct lending receipts	16,274,861	20,752,007
Direct lending payments	<u>(16,274,861)</u>	<u>(20,752,007)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	26,227,899	28,078,053
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(2,317,978)	(1,777,319)
Capital appropriations received	2,956,086	2,790,022
Proceeds of capital debt	-	600,605
Contributions from LEDA	1,000,000	-
Repayments of capital debt and leases	(2,486,392)	(2,409,773)
Interest paid on capital debt and leases	<u>(3,105,237)</u>	<u>(3,304,581)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACITIVITIES	(3,953,521)	(4,101,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases/sales of investments	(324,130)	176,835
Interest received on investments	<u>908,682</u>	<u>962,641</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>584,552</u>	<u>1,139,476</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	590,436	2,759,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>30,017,141</u>	<u>27,258,129</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 30,607,577</u>	<u>\$ 30,017,141</u>

STATEMENTS OF CASH FLOWS--Continued

LANGSTON UNIVERSITY

	Years Ended June 30	
	<u>2013</u>	<u>2012</u>
		<i>(Restated)</i>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (27,680,582)	\$ (28,462,165)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	3,850,401	3,869,687
On-behalf contributions to teachers' retirement system	1,687,000	1,742,000
Changes in operating assets and liabilities:		
Accounts, loans and other receivables	460	1,126,171
Accounts payable and accrued expenses	930,070	(598,050)
Unearned revenues	(491,137)	(363,387)
Other current liabilities and student deposits	(221,912)	59,457
Compensated absences and pension benefit obligation	<u>(342,794)</u>	<u>268,816</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (22,268,494)</u>	<u>\$ (22,357,471)</u>
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	<u>\$ 733,158</u>	<u>\$ 838,482</u>
Additions to permanent endowments	<u>\$ 1,663,652</u>	<u>\$ 1,646,236</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents	\$ 20,766,541	\$ 21,233,705
Restricted cash and cash equivalents	4,422,559	4,463,200
Noncurrent assets:		
Restricted cash and cash equivalents	<u>5,418,477</u>	<u>4,320,236</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 30,607,577</u>	<u>\$ 30,017,141</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--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 financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading.

The accompanying financial statements include the accounts and funds of the University. The University is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education (the "OSRHE"). The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the Higher Education component unit.

Component Units: LDF Student Housing, L.L.C. (the "LLC") and Langston University Foundation, Inc. are legally separate, tax-exempt component units of the University. The LLC is a non-profit organization created for the purpose of providing affordable housing for students of the University. The LLC is owned by Langston University Development Fund, and governed by its Board of Directors. Although the University does not control the timing or amount of receipts from the LLC or the Foundation, the majority of resources, or income thereon, which the LLC and the Foundation holds and invests is restricted to the activities governed by donors, bond documents, and/or trustees. Accordingly, resources received and held by the LLC can only be used by, and for the benefit of, University housing governed by certain bond documents. Resources received and held by the Foundation can only be used by, or for the benefit of, the University. The LLC is considered a blended component unit of the University under the definition of GASB Statement No. 61. The Foundation is considered a discretely presented component unit of the University under the definition of GASB Statement No. 39.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and No. 35, the University is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows; a statement of revenues, expenses, and changes in net position, with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

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. The cash equivalents are fully collateralized by U.S. Government obligations or insured by Federal Deposit Insurance.

Deposits and Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures and Amendment of GASB Statement No. 3*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable--Continued: 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 receivable 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 Oklahoma State Regents' for Higher Education ("OSRHE") endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the University.

Restricted Cash and Investments: Cash and investments that are externally restricted to make debt service payments, maintain 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.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

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

Restricted Net Position - Nonexpendable: Restricted nonexpendable net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Position--Continued: When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code. However, the University may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

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.

Non-Operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, student aid revenue and other revenue sources that are defined as non-operating 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 non-operating 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, 2013 and 2012, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

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, 2013 and 2012, the University has no deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year classifications.

New Accounting Pronouncements Adopted in Fiscal Year 2013: The University adopted several new accounting pronouncements during the year ended June 30, 2013 as follows:

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements*
GASB Statement No. 60 addresses issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The University will only be required to adopt the provisions of GASB Statement No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.
- *Statement No. 61, The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*
GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The adoption of GASB Statement No. 61 resulted in the LLC being presented as a blended component unit. As a result of the adoption of GASB Statement No. 61, the University's net position as of July 1, 2011 decreased by \$4,309,698 from amounts previously reported.
- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
GASB Statement No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB 62 did not have an impact on the University's financial position, changes in financial position, cash flows or its financial statement presentation.
- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement has required the University to make changes in its financial statement presentation and required certain financial statement elements previously reported as assets to be reported as deferred outflows of resources.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Adopted in Fiscal Year 2013--Continued

- *Statement No. 65, Items Previously Reported as Assets and Liabilities*

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes as outflows of resources (expenses) or inflows of resources (revenues) certain items that were previously recognized as assets and liabilities. The University has chosen to early adopt GASB Statement No. 65 in 2013. Financial statement elements previously classified as assets at June 30, 2012 and totaling \$424,501 were reclassified to deferred outflows of resources. As a result of the adoption of GASB Statement No. 65, the University's net position as of July 1, 2011 decreased by \$122,309 from amounts previously reported.

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:

Fiscal Year Ended June 30, 2014

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The University has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

Fiscal Year Ended June 30, 2015

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- *Statement No. 69, Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Prior Period Adjustments: With the implementation of GASB Statements No. 61 and 65 the University's 2012 financial statements have been restated for the blending of the LLC and the amount of unamortized debt issue cost. The 2012 financial statements have also been restated to correct an error in the accrued compensated absences liabilities. The 2012 financial statements have been restated, as follows:

	June 30, 2012	
	As Previously Reported	As Restated
STATEMENT OF NET POSITION		
Total Assets	<u>\$ 131,170,407</u>	<u>\$ 170,999,697</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 424,501</u>
Total Liabilities	<u>\$ 34,207,526</u>	<u>\$ 79,370,089</u>
Total Net Position	<u>\$ 96,962,881</u>	<u>\$ 92,054,109</u>
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating Revenues	\$ 23,496,718	\$ 31,723,658
Operating Expenses	<u>54,055,646</u>	<u>60,185,823</u>
Operating Loss	(30,558,928)	(28,462,165)
Net Non-Operating Revenues	29,492,176	27,352,370
Other revenues (expenses)	<u>4,436,258</u>	<u>4,436,258</u>
Change in Net Position	3,369,506	3,326,463
Net Position at Beginning of Year	<u>93,593,375</u>	<u>88,727,646</u>
Net Position at End of Year	<u>\$ 96,962,881</u>	<u>\$ 92,054,109</u>
 STATEMENT OF CASH FLOWS		
Operating Activities	\$ (26,290,577)	\$ (22,357,471)
Noncapital Financing Activities	28,078,053	28,078,053
Capital and Related Financing Activities	(586,901)	(4,101,046)
Investing Activities	<u>997,213</u>	<u>1,139,476</u>
Change in Cash and Cash Equivalents	2,197,788	2,759,012
Cash and Cash Equivalents at Beginning of Year	<u>20,846,631</u>	<u>27,258,129</u>
Cash and Cash Equivalents at End of Year	<u>\$ 23,044,419</u>	<u>\$ 30,017,141</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer 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 State Treasurer may determine, in the State's name.

The University requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.

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

	2013	2012
Deposits with the State Treasurer	\$ 23,396,246	\$ 23,039,419
Other financial institutions	7,206,331	6,972,722
Petty cash and change funds	5,000	5,000
Total Deposits	<u>\$ 30,607,577</u>	<u>\$ 30,017,141</u>

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$22,467,350 in 2013 and \$21,186,384 in 2012.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk - Deposits--Continued: At June 30, 2013 and 2012, the distribution of deposits in *OK INVEST* are as follows:

OK INVEST Portfolio	2013		2012	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 8,831,532	\$ 8,794,195	\$ 7,490,462	\$ 7,512,479
Certificates of deposit	573,941	573,941	684,308	684,308
Money market mutual funds	2,108,263	2,108,263	2,899,999	2,899,999
Mortgage backed agency securities	9,654,303	9,701,698	9,351,345	9,935,410
Municipal bonds	378,501	418,974	380,017	433,556
Foreign bonds	177,464	177,358	106,614	106,614
Commercial paper	472,225	472,225	-	-
U.S. Treasury Obligations	271,121	330,858	273,639	341,384
TOTAL	<u>\$ 22,467,350</u>	<u>\$ 22,577,512</u>	<u>\$ 21,186,384</u>	<u>\$ 21,913,750</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which 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 and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

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

The LLC's cash equivalents consisted primarily of money market accounts with brokers. The money market accounts are FDIC-insured up to \$250,000 per depositor. At June 30, 2013 and 2012, the LLC's cash and cash equivalent accounts exceeded federally insured limits by approximately \$6,100,000 and \$5,800,000, respectively. These funds are maintained with the trustee in accordance with bond indenture requirements.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk - Deposits--Continued:

Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

Investments: Oklahoma Statutes authorize the University to invest in direct obligations of the U.S. government, certificates of deposit secured by acceptable collateral, savings accounts or savings certificates to the extent that the accounts or certificates are fully insured by FDIC, and other investments which are fully collateralized by any of the aforementioned obligations or securities.

The University had the following investments as of June 30:

	2013	2012
U.S. government securities	\$ 5,853,835	\$ 5,746,380
Mutual funds	1,929,870	1,631,828
Other	6,776	5,730
	7,790,481	7,383,938
OSRHE endowment holdings	34,806,229	33,006,462
Total Investments	<u>\$ 42,596,710</u>	<u>\$ 40,390,400</u>

Investment maturities were as follows at June 30, 2013:

Investment Type	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. government securities	\$ 5,853,835	\$ -	\$ 5,853,835	\$ -	\$ -	\$ -
Mutual funds	1,929,870	1,929,870	-	-	-	-
Other	6,776	-	6,776	-	-	-
	<u>\$ 7,790,481</u>	<u>\$ 1,929,870</u>	<u>\$ 5,860,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

Concentration of Credit Risk: The University places no limit on the amount the University may invest in any one issuer. However, the majority of the investments are in mutual funds and investments guaranteed by the U.S. government.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE C--ACCOUNTS RECEIVABLE

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

	<u>2013</u>	<u>2012</u>
Student tuition and fees	\$ 1,209,154	\$ 1,586,629
Auxiliary enterprises and other operating activities	<u>908,931</u>	<u>1,393,370</u>
	2,118,085	2,979,999
Less: allowance for doubtful accounts	<u>(1,457,022)</u>	<u>(1,827,278)</u>
Accounts receivable, net	<u>\$ 661,063</u>	<u>\$ 1,152,721</u>

NOTE D--LOANS RECEIVABLE

Loans receivable consist of the following at June 30:

	<u>2013</u>		
	<u>LUDF Loans</u>	<u>Student Assistance Loans</u>	<u>Total</u>
Loans receivable	\$ 9,448	\$ -	\$ 9,448
Less: allowance for uncollectible loans	<u>-</u>	<u>-</u>	<u>-</u>
Net loans receivable	<u>\$ 9,448</u>	<u>\$ -</u>	<u>\$ 9,448</u>
	<u>2012</u>		
	<u>LUDF Loans</u>	<u>Student Assistance Loans</u>	<u>Total</u>
Loans receivable	\$ 3,074	\$ 109,374	\$ 112,447
Less: allowance for uncollectible loans	<u>(2,890)</u>	<u>(18,324)</u>	<u>(21,214)</u>
Net loans receivable	<u>\$ 184</u>	<u>\$ 91,050</u>	<u>\$ 91,233</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE E--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Transfers	Retirements	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	\$ 2,401,482	\$ 7,740	\$ -	\$ -	\$ 2,409,222
Construction in-progress	<u>213,533</u>	<u>580,927</u>	<u>-</u>	<u>-</u>	<u>794,460</u>
Total capital assets not being depreciated	2,615,015	588,667	-	-	3,203,682
Other capital assets:					
Buildings and improvements	115,829,222	198,885	-	-	116,028,107
Infrastructure	3,373,383	296,608	-	-	3,669,991
Equipment	15,402,922	1,270,860	-	(242,956)	16,430,826
Library materials	<u>4,536,645</u>	<u>-</u>	<u>-</u>	<u>(218,906)</u>	<u>4,317,739</u>
Total other capital assets	139,142,172	1,766,353	-	(461,862)	140,446,663
Accumulated depreciation:					
Buildings and improvements	(29,376,292)	(2,804,395)	-	-	(32,180,687)
Infrastructure	(957,182)	(141,363)	-	-	(1,098,545)
Equipment	(10,608,869)	(821,625)	-	205,915	(11,224,579)
Library materials	<u>(4,389,879)</u>	<u>(83,018)</u>	<u>-</u>	<u>218,906</u>	<u>(4,253,991)</u>
Total accumulated depreciation	<u>(45,332,222)</u>	<u>(3,850,401)</u>	<u>-</u>	<u>424,821</u>	<u>(48,757,802)</u>
Capital assets, net	<u>\$ 96,424,965</u>	<u>\$ (1,495,381)</u>	<u>\$ -</u>	<u>\$ (37,041)</u>	<u>\$ 94,892,543</u>

The University has acquired certain capital assets, including buildings and equipment, under various lease-purchase contracts and other capital lease agreements. The cost of the University's assets held under capital leases totaled \$9,423,925 at June 30, 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE E--CAPITAL ASSETS--Continued

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Transfers	Retirements	Balance at June 30, 2012
Capital assets not being depreciated:					
Land	\$ 2,401,482	\$ -	\$ -	\$ -	\$ 2,401,482
Construction in-progress	<u>1,044,542</u>	<u>848,029</u>	<u>(1,679,038)</u>	<u>-</u>	<u>213,533</u>
Total capital assets not being depreciated	3,446,024	848,029	(1,679,038)	-	2,615,015
Other capital assets:					
Buildings and improvements	113,938,017	212,167	1,679,038	-	115,829,222
Infrastructure	3,127,794	245,589	-	-	3,373,383
Equipment	14,931,387	471,535	-	-	15,402,922
Library materials	<u>4,536,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,536,645</u>
Total other capital assets	136,533,843	929,291	1,679,038	-	139,142,172
Accumulated depreciation:					
Buildings and improvements	(26,589,092)	(2,787,200)	-	-	(29,376,292)
Infrastructure	(829,726)	(127,456)	-	-	(957,182)
Equipment	(9,803,390)	(805,479)	-	-	(10,608,869)
Library materials	<u>(4,240,327)</u>	<u>(149,552)</u>	<u>-</u>	<u>-</u>	<u>(4,389,879)</u>
Total accumulated depreciation	<u>(41,462,535)</u>	<u>(3,869,687)</u>	<u>-</u>	<u>-</u>	<u>(45,332,222)</u>
Capital assets, net	<u>\$ 98,517,332</u>	<u>\$ (2,092,367)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,424,965</u>

NOTE F--UNEARNED REVENUES

Unearned revenues consisted of the following at June 30:

	2013	2012
Student tuition and fees	\$ 369,854	\$ 451,244
Grants and contracts	-	184,747
Contractual agreements	<u>1,037,500</u>	<u>1,262,500</u>
Total unearned revenues	<u>\$ 1,407,354</u>	<u>\$ 1,898,491</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE F--UNEARNED REVENUES--Continued

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 \$1,037,500 and \$1,262,500 at June 30, 2013 and 2012, respectively. There is no stipulation for accrued interest relative to the Sodexo contract.

NOTE G--NOTES PAYABLE

The LLC finances its annual property insurance premium over a 10-month period. A prepaid asset is recognized on the accompanying statement 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, 2013 and 2012 is as follows:

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
Notes Payable	<u>\$ 269,155</u>	<u>\$ 370,980</u>	<u>\$ (343,351)</u>	<u>\$ 296,784</u>

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Notes Payable	<u>\$ 195,541</u>	<u>\$ 356,235</u>	<u>\$ (343,351)</u>	<u>\$ 269,155</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2013, was as follows:

	Interest Rates	Maturity Through	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013	Current Portion
Revenue bonds payable and capital lease obligations:							
Revenue bonds payable:							
ODFA Public Facility, Series 1999A	3.60%-5.25%	12/1/2023	\$ 2,680,000	\$ -	\$ (135,000)	\$ 2,545,000	\$ 145,000
ODFA Public Facility, Series 2002A	2.00%-5.00%	7/1/2027	5,235,000	-	(230,000)	5,005,000	240,000
LEDA Revenue Bonds, Series 2006A	4.00%-5.25%	5/1/2030	21,735,000	-	(725,000)	21,010,000	760,000
LEDA Revenue Bonds, Series 2005A	3.50%-5.00%	5/1/2034	21,910,000	-	(530,000)	21,380,000	555,000
			51,560,000	-	(1,620,000)	49,940,000	1,700,000
Less: Discounts on bonds			(304,388)	-	22,746	(281,642)	-
Total revenue bonds payable			51,255,612	-	(1,597,254)	49,658,358	1,700,000
Capital lease obligations:							
OCIA 1999		8/1/2019	939,198	-	(112,561)	826,637	118,209
OCIA 2005F		7/1/2030	7,640,098	-	-	7,640,098	312,615
OCIA 2010A		7/1/2018	3,080,464	-	-	3,080,464	-
OCIA 2010B		7/1/2015	914,828	-	-	914,828	-
OCIA 2006D		7/1/2035	4,480,300	-	(162,800)	4,317,500	-
ODFA Master Lease 2011B		5/15/2018	1,324,000	-	(208,000)	1,116,000	213,000
			18,378,888	-	(483,361)	17,895,527	643,824
Plus: Premium on lease obligations			202,474	-	(11,246)	191,228	11,246
Total capital lease obligations			18,581,362	-	(494,607)	18,086,755	655,070
Total revenue bonds payable and capital lease obligations			69,836,974	-	(2,091,861)	67,745,113	2,355,070
Other liabilities:							
Accrued pension benefit and post- employment insurance obligations			407,747	-	(1,998)	405,749	-
Unearned revenues			1,262,500	-	(225,000)	1,037,500	225,000
Total other liabilities			1,670,247	-	(226,998)	1,443,249	225,000
Total noncurrent liabilities			\$ 71,507,221	\$ -	\$ (2,318,859)	\$ 69,188,362	\$ 2,580,070

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Noncurrent liability activity for the year ended June 30, 2012, was as follows:

	Interest Rates	Maturity Through	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012	Current Portion
Revenue bonds payable and capital lease obligations:							
Revenue bonds payable:							
ODFA Public Facility, Series 1999A	3.60%-5.25%	12/1/2023	\$ 2,800,000	\$ -	\$ (120,000)	\$ 2,680,000	\$ 135,000
ODFA Public Facility, Series 2002A	2.00%-5.00%	7/1/2027	5,455,000	-	(220,000)	5,235,000	230,000
LEDA Revenue Bonds, Series 2006A	4.00%-5.25%	5/1/2030	22,435,000	-	(700,000)	21,735,000	725,000
LEDA Revenue Bonds, Series 2005A	3.50%-5.00%	5/1/2034	22,415,000	-	(505,000)	21,910,000	530,000
			53,105,000	-	(1,545,000)	51,560,000	1,620,000
Less: Discount on bonds payable			(327,686)	-	23,298	(304,388)	-
Total revenue bonds payable			52,777,314	-	(1,521,702)	51,255,612	1,620,000
Capital lease obligations:							
OCIA 1999		8/1/2019	1,046,470	-	(107,272)	939,198	112,561
OCIA 2005F		7/1/2030	7,640,098	-	-	7,640,098	-
OCIA 2010A		7/1/2018	3,080,464	-	-	3,080,464	-
OCIA 2010B		7/1/2015	914,828	-	-	914,828	-
OCIA 2006D		7/1/2035	4,744,300	-	(264,000)	4,480,300	-
ODFA Master Lease 2011B		5/15/2018	-	1,374,000	(50,000)	1,324,000	208,000
ODFA Master Lease 2002C		12/1/2018	1,740,000	-	(1,740,000)	-	-
			19,166,160	1,374,000	(2,161,272)	18,378,888	320,561
Plus: Premium on bonds payable			213,683	27,400	(38,609)	202,474	11,246
Total capital lease obligations			19,379,843	1,401,400	(2,199,881)	18,581,362	331,807
Total revenue bonds payable and capital lease obligations			72,157,157	1,401,400	(3,721,583)	69,836,974	1,951,807
Other liabilities:							
Accrued pension benefit and post-employment insurance obligations			457,517	-	(49,770)	407,747	-
Unearned revenues			1,487,500	-	(225,000)	1,262,500	225,000
Total other liabilities			1,945,017	-	(274,770)	1,670,247	225,000
Total noncurrent liabilities			\$ 74,102,174	\$ 1,401,400	\$ (3,996,353)	\$ 71,507,221	\$ 2,176,807

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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Revenue Bonds--Continued: 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.

The amount of "Section 13" and "New College Fund" revenue that was apportioned amounted to \$2,222,928 and \$1,951,540 for fiscal years 2013 and 2012, respectively. The amount of facility fee revenue was \$478,558 and \$554,471 for fiscal years 2013 and 2012, respectively.

Pursuant to the bond indentures creating each bond issue, the University was required to establish various accounts with the bond trustees as follows:

Revenue Accounts - These accounts are used to accumulate monies to repay the principal and interest on the bonds. The University is required to transfer pledged revenues to the trustee for deposit into the revenue accounts.

Principal and Interest Accounts - These accounts are used to make bond principal and interest payments when due. The trustees will transfer funds from the revenue accounts to the principal and interest accounts on a semi-annual basis.

Reserve Accounts - Monies in the reserve accounts are used to cover deficiencies in the principal and interest accounts for payment of bond principal and interest. The minimum required reserve account balances established by the bond indentures are as follows:

ODFA 1999A Bonds:

- 1) Lesser of maximum annual principal and interest,
- 2) 125% of average annual principal and interest,
- 3) 10% of the amount of bonds issued, or
- 4) Surety or other form of guaranty or insurance equal to reserve requirement.

ODFA 2002A Bonds:

- 1) Lesser of maximum annual principal and interest,
- 2) 125% of average annual principal and interest,
- 3) 10% of the amount of bonds issued, or
- 4) Surety or other form of guaranty or insurance equal to reserve requirement.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Revenue Bonds--Continued: On May 2, 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. At June 30, 2013 and 2012, \$21,380,000 and \$21,910,000, respectively, were outstanding on the 2005A series.

On May 17, 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. At June 30, 2013 and 2012, \$21,010,000 and \$21,735,000, respectively were outstanding on the 2006A series.

The LLC is required to make monthly deposits to the debt service fund of approximately \$132,000 on the 2005 bonds and \$148,000 on the 2006 bonds. The 2005 Bonds still outstanding may be redeemed at the LLC's option on or after May 1, 2015 at the par amount plus accrued interest. The 2006 Bonds still outstanding may be redeemed at the LLC's option on or after May 1, 2016 at the par amount plus accrued interest.

The University's obligation with respect to payment on the bonds is limited to excess housing system revenue that has been pledged by the University. The pledged revenue is not expected to be a significant source of funds.

Pursuant to the bond indentures creating each bond issue, the LLC was required to establish various accounts with the bond trustees including those as follows:

Revenue and Surplus Accounts - These accounts are used to accumulate monies to repay the principal and interest on the bonds. The LLC is required to transfer pledged revenues to the trustee for deposit in the revenue accounts.

Bond Funds of Principal and Interest - these accounts are used to make bond principal and interest payments when due. The trustee will transfer funds monthly from the revenue accounts to the principal and interest accounts. Principal and interest accounts are paid on a semi-annual basis.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Revenue Bonds--Continued:

Reserve Accounts - Reserve accounts have been established to cover deficiencies in the bond funds for debt service, operating needs, and repairs and replacements. The minimum required reserve account balances established by the bond indentures are as follows:

- Debt Reserve Fund: 1) With respect to the Series 2005 Bonds, the sum of \$1,588,122
- 2) With respect to 2006 Bonds, the lesser of:
- a) 10% of the amount of bonds issued, or
 - b) 125% of the average annual debt service
 - c) Maximum annual debt service

Actual funds on deposit with the trustees as of June 30 were as follows:

	<u>2013</u>	<u>2012</u>
Revenue Accounts:		
ODFA 1999A Bonds	\$ 135,012	\$ 138,031
ODFA 2002A Bonds	3,992,462	3,037,365
LEDA 2006A & 2005A Bonds	<u>2,396,685</u>	<u>2,252,384</u>
Total funds on deposit	<u>\$ 6,524,159</u>	<u>\$ 5,427,780</u>

Future aggregate maturities of principal and interest requirements on the University's various revenue bonds payable are as follows at June 30, 2013:

Years Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,700,000	\$ 2,189,580	\$ 3,889,580
2015	1,775,000	2,140,583	3,915,583
2016	1,860,000	2,087,754	3,947,754
2017	1,955,000	2,050,338	4,005,338
2018	2,055,000	1,981,814	4,036,814
2019 - 2023	11,905,000	9,003,547	20,908,547
2024 - 2028	13,760,000	5,933,002	19,693,002
2029 - 2033	11,055,000	2,317,326	13,372,326
2034 - 2035	<u>3,875,000</u>	<u>318,000</u>	<u>4,193,000</u>
	<u>\$ 49,940,000</u>	<u>\$ 28,021,944</u>	<u>\$ 77,961,944</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Capital Lease Obligations:

Oklahoma Capital Improvement Authority Lease Obligation

In September 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.

Lease payments to OCIA totaling \$159,025 and \$159,100 during the years ended June 30, 2013 and 2012, 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.

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, by the State of Oklahoma on behalf of the University. 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.

Through the year ended June 30, 2013, the University has drawn down its total allotment plus interest earned thereon, including \$341,583 of drawdowns during the year ended June 30, 2012, for expenses incurred in connection with the specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the University's policy. Lease payments to OCIA totaling \$157,465 and \$133,806 during the year ended June 30, 2013 and 2002, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Capital Improvement Authority Lease Obligation--Continued

During fiscal year 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, 2013 and 2012, the unamortized cost totaled \$318,376 and \$424,501, 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.

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. 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.

Through the year ended June 30, 2013, the University has drawn down its total allotment plus interest earned thereon for expenses incurred in connection with these specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the University's policy. Lease payments to OCIA totaling \$416,668 and \$545,576 during the years ended June 30, 2013 and 2012, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE H--NONCURRENT LIABILITIES--Continued

Capital Lease Obligations--Continued:

ODFA Master Lease Obligations

On December 1, 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 on campus buildings and facilities.

During fiscal year 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.

Future minimum lease payments under all capital lease obligations are as follows at June 30, 2013:

Years Ending June 30:	Principal	Interest	Total
2014	\$ 643,824	\$ 822,425	\$ 1,466,249
2015	1,201,293	796,072	1,997,365
2016	1,239,458	755,315	1,994,773
2017	1,437,584	763,186	2,200,770
2018	1,497,505	703,660	2,201,165
2019 - 2023	1,930,402	2,921,124	4,851,526
2024 - 2028	3,257,431	2,405,119	5,662,550
2029 - 2033	6,330,530	1,346,519	7,677,049
2034	357,500	38,612	396,112
	<u>\$ 17,895,527</u>	<u>\$ 10,552,032</u>	<u>\$ 28,447,559</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE I--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 contributes to the OTRS, which is a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement plan provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 8.55% for the calendar years 2013, 2012, and 2011 is applied to annual compensation, and is determined by State Statute.

Employees' contributions are also determined by State Statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2013, 2012, and 2011. These contributions were made directly by the University for 2013, 2012, and 2011.

The University's contributions to OTRS for the years ended June 30, 2013, 2012, and 2011, were approximately \$1,914,000, \$2,025,000, and \$1,915,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contributions paid directly by the University.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE I--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System--Continued

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2013 and 2012, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentages of taxes collected during the year. For the years ended June 30, 2013 and 2012, the total amounts contributed to OTRS by the State of Oklahoma on behalf of the University were approximately \$1,687,000 and \$1,742,000, respectively. These on-behalf payments have been recorded as non-operating state appropriations revenues and operating compensation and employee benefits expenses in the statements of revenues, expenses and changes in net position.

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, 2013, 2012, and 2011, the University paid approximately \$41,000, \$41,000 and \$95,000, respectively, to retirees under the Plan. There are no active employees who qualify for benefits under this plan.

Annual Pension Cost and Net Pension Obligation: Annual required contributions for the years ended June 30, 2013 and 2012 were determined as part of an actuarial valuation as of June 30, 2013 and 2012, respectively, using the projected unit credit method. The actuarial assumptions included (a) a discount rate of 6.5% per year to determine the present value of future benefit payments; (b) retirement at age 65; (c) an 6.5% rate of return on investments; (d) projected salary increases of 3.5% per year; and (e) a 6.5% 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 ten (10) years.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE I--RETIREMENT PLANS--Continued

Supplemental Retirement Plan--Continued

Annual Pension Cost and Net Pension Obligation--Continued: The annual pension cost and net pension obligation to the Plan were as follows at June 30:

	2013	2012
Annual required contribution	\$ 45,880	\$ 52,812
Interest on net pension obligation	21,271	19,202
Adjustment to annual required contribution	<u>(37,103)</u>	<u>(42,878)</u>
Annual pension cost	30,048	29,136
Contributions made	<u>40,611</u>	<u>67,642</u>
Decrease in net pension obligation	(10,563)	(38,506)
Net pension obligation, beginning of year	<u>327,250</u>	<u>365,756</u>
Net pension obligation, end of year	<u>\$ 316,687</u>	<u>\$ 327,250</u>

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 458,801
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 458,801</u>
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.

Trend Information

<u>Years Ending June 30:</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 71,929	131.6%	\$ 365,756
2012	29,136	232.2%	327,250
2013	30,048	135.2%	316,687

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE J--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, 2013, there were 560 active employees and 178 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: The annual required contribution for the current year was determined as part of the June 30, 2013 actuarial valuation using the projected unit credit method. The actuarial assumption included an 8% 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.

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

	2013	2012
Annual life insurance cost	\$ 6,920	\$ 4,894
Recognition of past services cost	17,459	(3,771)
Contributions made	(15,814)	(12,387)
Increase (decrease) in net obligation	8,565	(11,264)
Net OPEB obligation, beginning of year	80,497	91,761
Net OPEB obligation, end of year	<u>\$ 89,062</u>	<u>\$ 80,497</u>

The net OPEB obligation at June 30, 2013 and 2012 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, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 89,062
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 89,062</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ 19,310,530
UAAL as a percentage of annual covered payroll	0.46%

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE J--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Funded Status and Funding Progress--Continued: 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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 7,312	216.8%	\$ 91,761
June 30, 2012	4,894	253.1%	80,497
June 30, 2013	6,920	228.5%	89,062

NOTE K--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 \$2,222,928 and \$1,951,540 during the years ended June 30, 2013 and 2012, 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 \$34,042,488 and \$31,041,746 at June 30, 2013 and 2012, 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 \$1,034,406 and \$963,000 for the years ended June 30, 2013 and 2012, respectively. The University has no remainder interest in the corpus of these investments.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE K--FUNDS HELD IN TRUSTS BY OTHERS--Continued

Oklahoma State Regents Endowment Trust Fund

In 1999, the State of Oklahoma began appropriating funds for an endowment fund for the University. The funds are appropriated to the OSRHE for the exclusive benefit of the University. During 2013 and 2012, the State appropriated \$1,663,652 and \$1,646,236, respectively, to the University. The University has recognized its rights to these assets, held by the OSRHE as trustee or agent for the University, under the caption of non-current investments. 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 will continue contributions until \$30 million in endowment contributions have been made. As of June 30, 2013, \$27,456,560 of contributions have been made to this endowment.

Investments of \$34,806,229 and \$33,006,462 at June 30, 2013 and 2012, respectively, were maintained in The Common Fund for Nonprofit Organizations through the OSRHE as an endowment including the funds referred to above. The University can request and expend up to 5% of the balance outstanding for general scholarship use and faculty enrichment or other such uses as approved by the Board of Regents.

In connection with the OSRHE Endowment Program (the "Endowment Program"), the State of Oklahoma has matched contributions received under the Endowment Program. The State match amounts, plus retained accumulated earnings, totaled approximately \$2,538,000 and \$2,324,000 for June 30, 2013 and 2012, respectively, and is invested by the OSRHE on behalf of the University. The University is entitled to receive an annual distribution of 4.5% of the market value at year end on these funds. Legal title of these endowment funds is retained by the OSRHE; only the funds available for distribution, or approximately \$736,000 and \$625,000 at June 30, 2013 and 2012, respectively, have been reflected as assets in the statement of net position.

NOTE L--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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE L--COMMITMENTS AND CONTINGENCIES--Continued

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. Management fees for the years ended June 30, 2013 and 2012 were \$217,548 and \$218,076, respectively. Management fees are increased by the consumer price index as defined in the agreement annually.

NOTE M--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.

The LLC is not covered by the State of Oklahoma Risk Management Program and the State Insurance Fund. The 2005 and 2006 bond indentures govern the required insurance coverage and deductible that are required for these properties. The insurance is paid from operating funds by the property manager of the apartment complexes covered by these bonds. In fiscal year 2013 and 2012, the LLC requested a waiver of the \$10,000 property insurance deductible in favor of a \$100,000 deductible because of increased difficulty in obtaining affordable coverage with the required deductible. The LLC placed a reimbursable escrow deposit with JPMorgan Chase Bank in New York in the amount of \$90,000 to self-insure the deductible amounts. This waiver was approved in both reporting periods by the bond insurer and bond trustee.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE N--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, 2013 and 2012, no funds for the ground lease were requested by the Lessor at the time of this report.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE O--CONDENSED COMBINING FINANCIAL INFORMATION

As noted in the reporting entity section above, the University's financials contain a blended component unit, LDF Student Housing, L.L.C (the "LLC"). The LLC also meets the definition of a segment under the provisions of GASB Statement No. 34. Condensed combining financial information for the University and the LLC is presented below (in thousands):

Condensed Statements of Net Position (000's)				
June 30, 2013				
	<u>University</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current assets	\$ 22,099	\$ 10,211	\$ (235)	\$ 32,075
Capital assets, net	65,822	29,071	-	94,893
Other assets	<u>45,402</u>	<u>-</u>	<u>-</u>	<u>45,402</u>
TOTAL ASSETS	<u>\$ 133,323</u>	<u>\$ 39,282</u>	<u>\$ (235)</u>	<u>\$ 172,370</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318</u>
LIABILITIES				
Current liabilities	\$ 7,883	\$ 2,330	\$ (72)	\$ 10,141
Non-current liabilities	<u>25,783</u>	<u>40,825</u>	<u>-</u>	<u>66,608</u>
TOTAL LIABILITIES	<u>\$ 33,666</u>	<u>\$ 43,155</u>	<u>\$ (72)</u>	<u>\$ 76,749</u>
NET POSITION				
Net investment in capital assets	\$ 37,703	\$ (11,755)	\$ -	\$ 25,948
Restricted-nonexpendable	37,745	-	-	37,745
Restricted-expendable	7,822	7,882	(163)	15,541
Unrestricted	<u>16,705</u>	<u>-</u>	<u>-</u>	<u>16,705</u>
TOTAL NET POSITION	<u>\$ 99,975</u>	<u>\$ (3,873)</u>	<u>\$ (163)</u>	<u>\$ 95,939</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE O--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

Condensed Statements of Net Position (000's)

	<u>University</u>	June 30, 2012		<u>Total</u>
		<u>LLC</u>	<u>Eliminations</u>	
ASSETS				
Current assets	\$ 22,760	\$ 10,091	\$ (409)	\$ 32,442
Capital assets, net	65,916	30,509	-	96,425
Other assets	<u>42,133</u>	<u>-</u>	<u>-</u>	<u>42,133</u>
TOTAL ASSETS	<u>\$ 130,809</u>	<u>\$ 40,600</u>	<u>\$ (409)</u>	<u>\$ 171,000</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425</u>
LIABILITIES				
Current liabilities	\$ 7,636	\$ 2,539	\$ (135)	\$ 10,040
Non-current liabilities	<u>27,211</u>	<u>42,120</u>	<u>-</u>	<u>69,331</u>
TOTAL LIABILITIES	<u>\$ 34,847</u>	<u>\$ 44,659</u>	<u>\$ (135)</u>	<u>\$ 79,371</u>
NET POSITION				
Net investment in capital assets	\$ 38,004	\$ (11,611)	\$ -	\$ 26,393
Restricted-nonexpendable	35,636	-	-	35,636
Restricted-expendable	6,333	7,552	(274)	13,611
Unrestricted	<u>16,414</u>	<u>-</u>	<u>-</u>	<u>16,414</u>
TOTAL NET POSITION	<u>\$ 96,387</u>	<u>\$ (4,059)</u>	<u>\$ (274)</u>	<u>\$ 92,054</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE O--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

Condensed Statements of Revenues,
Expenses and Changes in Net Position (000's)

	June 30, 2013			Total
	<u>University</u>	<u>LLC</u>	<u>Eliminations</u>	
Operating Revenues				
Student tuition and fees, net	\$ 7,268	\$ -	\$ -	\$ 7,268
Grants and contracts	15,416	-	-	15,416
Other	<u>6,915</u>	<u>6,210</u>	<u>(6,142)</u>	<u>6,983</u>
Total Operating Revenues	29,599	6,210	(6,142)	29,667
Operating Expenses				
Compensation and benefits	29,936	884	-	30,820
Depreciation	2,390	1,460	-	3,850
Other	<u>26,189</u>	<u>2,741</u>	<u>(6,253)</u>	<u>22,677</u>
Total Operating Expenses	<u>58,515</u>	<u>5,085</u>	<u>(6,253)</u>	<u>57,347</u>
Operating Income (Loss)	(28,916)	1,125	111	(27,680)
Nonoperating Revenues (Expenses)				
State appropriations	20,281	-	-	20,281
Grants and contributions	7,370	1,000	-	8,370
Interest expense	(980)	(2,117)	-	(3,097)
Other	<u>1,213</u>	<u>178</u>	<u>-</u>	<u>1,391</u>
Net Nonoperating Revenues	27,884	(939)	-	26,945
Capital and Other Restricted				
Appropriations	2,956	-	-	2,956
Additions to Permanent Endowments	<u>1,664</u>	<u>-</u>	<u>-</u>	<u>1,664</u>
Change in Net Position	3,588	186	111	3,885
Net Position at Beginning of Year	<u>96,387</u>	<u>(4,059)</u>	<u>(274)</u>	<u>92,054</u>
Net Position at End of Year	<u>\$ 99,975</u>	<u>\$ (3,873)</u>	<u>\$ (163)</u>	<u>\$ 95,939</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE O—CONDENSED COMBINING FINANCIAL INFORMATION--Continued

Condensed Statements of Revenues,
Expenses and Changes in Net Position (000's)

	June 30, 2012			Total
	<u>University</u>	<u>LLC</u>	<u>Eliminations</u>	
Operating Revenues				
Student tuition and fees, net	\$ 8,404	\$ -	\$ -	\$ 8,404
Grants and contracts	14,839	-	-	14,839
Other	8,621	7,263	(7,403)	8,481
Total Operating Revenues	<u>31,864</u>	<u>7,263</u>	<u>(7,403)</u>	<u>31,724</u>
Operating Expenses				
Compensation and benefits	32,372	853	-	33,225
Depreciation	2,410	1,460	-	3,870
Other	27,581	2,949	(7,439)	23,091
Total Operating Expenses	<u>62,363</u>	<u>5,262</u>	<u>(7,439)</u>	<u>60,186</u>
Operating Income (Loss)	(30,499)	2,001	36	(28,462)
Nonoperating Revenues (Expenses)				
State appropriations	20,152	-	-	20,152
Grants and contributions	9,415	-	-	9,415
Interest expense	(1,123)	(2,169)	-	(3,292)
Other	969	108	-	1,077
Net Nonoperating Revenues	<u>29,413</u>	<u>(2,061)</u>	<u>-</u>	<u>27,352</u>
Capital and Other Restricted				
Appropriations	2,790	-	-	2,790
Additions to Permanent Endowments	1,646	-	-	1,646
Change in Net Position	<u>3,350</u>	<u>(60)</u>	<u>36</u>	<u>3,326</u>
Net Position at Beginning of Year	<u>93,037</u>	<u>(3,999)</u>	<u>(310)</u>	<u>88,728</u>
Net Position at End of Year	<u>\$ 96,387</u>	<u>\$ (4,059)</u>	<u>\$ (274)</u>	<u>\$ 92,054</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE O—CONDENSED COMBINING FINANCIAL INFORMATION--Continued

Condensed Statements of Cash Flows (000's)

	June 30, 2013			
	<u>University</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
Net Cash Provided (Used) By				
Operating activities	\$ (24,715)	\$ 2,447	\$ -	\$ (22,268)
Noncapital financing activities	26,228	-	-	26,228
Capital and related financing activities	(1,599)	(2,354)	-	(3,953)
Investing activities	<u>443</u>	<u>141</u>	<u>-</u>	<u>584</u>
Net Increase (Decrease)	357	234	-	591
Beginning cash and cash equivalents	<u>23,044</u>	<u>6,973</u>	<u>-</u>	<u>30,017</u>
Ending cash and cash equivalents	<u>\$ 23,401</u>	<u>\$ 7,207</u>	<u>\$ -</u>	<u>\$ 30,608</u>
	June 30, 2012			
	<u>University</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
Net Cash Provided (Used) By				
Operating activities	\$ (26,063)	\$ 3,705	\$ -	\$ (22,358)
Noncapital financing activities	28,078	-	-	28,078
Capital and related financing activities	(813)	(3,288)	-	(4,101)
Investing activities	<u>996</u>	<u>144</u>	<u>-</u>	<u>1,140</u>
Net Increase (Decrease)	2,198	561	-	2,759
Beginning cash and cash equivalents	<u>20,846</u>	<u>6,412</u>	<u>-</u>	<u>27,258</u>
Ending cash and cash equivalents	<u>\$ 23,044</u>	<u>\$ 6,973</u>	<u>\$ -</u>	<u>\$ 30,017</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.

The following are significant disclosures of the Foundation:

INVESTMENTS AND INVESTMENT RETURN

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

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 and changes in net assets 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, 2013 and 2012, the Foundation's investments were as follows:

	<u>2013</u>	<u>2012</u>
Equity securities:		
Common stocks	\$ 56,982	\$ 42,710
Pooled equity funds	757,316	655,624
Fixed income investments:		
Pooled fixed income funds	438,314	438,807
Open-end mutual funds	<u>105,434</u>	<u>103,094</u>
Total investments	<u>\$ 1,358,046</u>	<u>\$ 1,240,235</u>

Investment income and losses on investments are comprised of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Dividends and interest income	\$ 27,577	\$ 30,812
Net realized and unrealized gains (losses) on investments reported at fair value	111,559	(21,965)
Investment fees	<u>(10,000)</u>	<u>(8,819)</u>
Total investment income	<u>\$ 129,136</u>	<u>\$ 28</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.--Continued

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2013 and 2012:

	2013			
	Beginning Balance	Contributions	Distributions	Ending Balance
Scholarships	\$ 277,006	\$ 233,692	\$ (39,564)	\$ 471,134
Schools, colleges and departments	67,585	24,486	(13,840)	78,231
Athletics	-	196,807	(119,870)	76,937
Endowment	41,132	107,236	-	148,368
Other programs and causes	121,399	16,360	(38,829)	98,930
For periods after June 30	47,250	3,167	(29,750)	20,667
	<u>\$ 554,372</u>	<u>\$ 581,748</u>	<u>\$ (241,853)</u>	<u>\$ 894,267</u>

	2012			
	Beginning Balance	Contributions	Distributions	Ending Balance
Scholarships	\$ 304,083	\$ 128,064	\$ (155,141)	\$ 277,006
Schools, colleges and departments	47,020	33,664	(13,099)	67,585
Athletics	55,061	23,190	(78,251)	-
Endowment	-	41,132	-	41,132
Other programs and causes	119,927	12,124	(10,652)	121,399
For periods after June 30	-	47,250	-	47,250
	<u>\$ 526,091</u>	<u>\$ 285,424</u>	<u>\$ (257,143)</u>	<u>\$ 554,372</u>

ENDOWMENT

The Foundation's endowment consists of a donor's gift to Langston 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.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.--Continued

ENDOWMENT--Continued

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

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
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 at June 30 was:

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,000,000	\$ 1,000,000
Available for appropriation	148,368	-	148,368
Total endowment funds	<u>\$ 148,368</u>	<u>\$ 1,000,000</u>	<u>\$ 1,148,368</u>
	2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,000,000	\$ 1,000,000
Available for appropriation	41,132	-	41,132
Total endowment funds	<u>\$ 41,132</u>	<u>\$ 1,000,000</u>	<u>\$ 1,041,132</u>

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.--Continued

ENDOWMENT--Continued

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

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 41,132	\$ 1,000,000	\$ 1,041,132
Investment return:			
Investment income	17,640	-	17,640
Net appreciation	89,596	-	89,596
Total investment return	107,236	-	107,236
Endowment net assets, end of year	\$ 148,368	\$ 1,000,000	\$ 1,148,368
	2012		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,000,008	\$ 1,000,008
Investment return:			
Investment income	-	-	-
Net appreciation	1,796	-	1,796
Total investment return	1,796	-	1,796
Other changes:			
Reclassification of board designation of endowment funds	39,336	(8)	39,328
Endowment net assets, end of year	\$ 41,132	\$ 1,000,000	\$ 1,041,132

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

	2013	2012
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently	\$ 1,000,000	\$ 1,000,000
Temporarily restricted net assets available for appropriation	148,368	41,132
	\$ 1,148,368	\$ 1,041,132

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.--Continued

ENDOWMENT--Continued

Endowment fund assets are included in the investment balance in the accompanying statements of net assets. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and as of June 30, 2013 and 2012, there are no deficiencies reported in unrestricted net assets.

The Board of Directors of the Foundation have not adopted investment, spending or appropriation policies for endowment assets and earning thereon as of June 30, 2013. Therefore, increases in endowment assets will continue to increase temporarily restricted net assets until such time as the Board adopts an appropriation policy and investment and spending policies.

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 to the University. For the years ended June 30, 2013 and 2012, the Foundation disbursed \$227,396 and \$299,934, respectively, to the University for student scholarships and various university departments. In the year ended June 30, 2012, the Foundation paid \$17,500 for a life insurance policy that had an initial premium cost of \$20,500. The policy was paid for with restricted funds designated for that purpose by a donor group with the remaining \$3,000 of the premium paid directly by the Chairman of the Foundation's Board of Directors (the "Chairman") to the insurance company. The donor group was established in 2010 and agreed to provide funds to establish a life insurance policy on the Chairman. Donations from the group were \$2,500 received in the year ended June 30, 2012; \$10,500 received in the year ended June 30, 2011; and \$4,500 received in the year ended June 30, 2010. The donor group reviewed three insurance proposals and chose the proposal presented by the wife of the Chairman to write the policy. She received approximately \$4,000 in commission fees related to the transaction. At June 30, 2012, the owner of the life insurance policy was the Chairman and the beneficiary of the life insurance policy was the University. On October 17, 2012 the owner of the policy was changed naming the Foundation as owner and beneficiary. The premium of \$17,500 was expensed by the Foundation in the year ended June 30, 2012 because it was not the owner of the policy. Upon the change in ownership, the Foundation recognized a contribution in the amount of the cash surrender value of the policy which was \$10,595 for the year ending June 30, 2013.

Various pledges have been made to the Foundation's fundraising campaigns by related parties. At June 30, 2012, of the original pledged amounts totaling \$23,000, approximately \$3,000 still remain outstanding, which includes an allowance for doubtful contributions of \$11,000 charged during the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities 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, 2013 and 2012:

2013	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)
Cash equivalents – money				
market mutual funds	\$ 47,100	\$ 47,100	\$ -	\$ -
Equity securities:				
Common stocks	56,982	56,982	-	-
Pooled equity funds	757,316	757,316	-	-
Fixed income mutual funds	438,314	438,314	-	-
Open-end mutual funds	105,434	105,434	-	-
	\$ 1,405,146	\$ 1,405,146	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS--Continued

LANGSTON UNIVERSITY

June 30, 2013

NOTE P--LANGSTON UNIVERSITY, FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS--Continued

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>2012</u>				
Cash equivalents – money				
market mutual funds	\$ 24,680	\$ 24,680	\$ -	\$ -
Equity securities:				
Common stocks	42,710	42,710	-	-
Pooled equity funds	655,626	655,624	-	-
Fixed income mutual funds	438,807	438,807	-	-
Open-end mutual funds	103,093	103,094	-	-
	<u>\$ 1,264,916</u>	<u>\$ 1,264,915</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2013.

Investments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include money market mutual funds, equity securities, fixed income mutual funds and open-end mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Foundation did not invest in any Level 2 or Level 3 investments at June 30, 2013 and 2012.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

LANGSTON UNIVERSITY

June 30, 2013

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)
6/30/2008	\$ -	\$ 739,969	\$ 739,969	0.00%	\$ 115,500	641%
6/30/2009	-	728,791	728,791	0.00%	115,500	631%
6/30/2010	-	777,997	777,997	0.00%	118,965	654%
6/30/2011	-	779,472	779,472	0.00%	118,965	655%
6/30/2012	-	424,043	424,043	0.00%	125,000	339%
6/30/2013	-	458,801	458,801	0.00%	-	0%

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

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST EMPLOYMENT LIFE INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Accrued 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)
6/30/2011	\$ -	\$ 91,761	\$ 91,761	0.00%	\$19,970,709	0.46%
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%

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

OTHER INFORMATION

COMBINING STATEMENTS OF NET POSITION

LANGSTON UNIVERSITY

	June 30, 2013				June 30, 2012			
	University	LLC	Eliminations	Total	University	LLC	Eliminations	Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 17,829,614	\$ 2,936,927	\$ -	\$ 20,766,541	\$ 18,502,213	\$ 2,731,492	-	\$ 21,233,705
Restricted cash and cash equivalents	153,155	4,269,404	-	4,422,559	221,970	4,241,230	-	4,463,200
Investments	6,776	2,606,131	-	2,612,907	5,730	2,571,752	-	2,577,482
Accounts receivable, net	860,947	35,225	(235,109)	661,063	1,362,602	199,230	(409,111)	1,152,721
Contract and grant receivables	1,115,857	-	-	1,115,857	1,014,853	-	-	1,014,853
Other assets	2,086,367	343,156	-	2,429,523	1,520,565	328,831	-	1,849,396
Interest receivable	36,550	20,414	-	56,964	40,431	18,557	-	58,988
Student loans receivable, net	9,448	-	-	9,448	91,233	-	-	91,233
TOTAL CURRENT ASSETS	22,098,714	10,211,257	(235,109)	32,074,862	22,759,597	10,091,092	(409,111)	32,441,578
NONCURRENT ASSETS								
Restricted cash and cash equivalents	5,418,477	-	-	5,418,477	4,320,236	-	-	4,320,236
Investments	39,983,803	-	-	39,983,803	37,812,918	-	-	37,812,918
Capital assets, net	65,822,248	29,070,295	-	94,892,543	65,916,228	30,508,737	-	96,424,965
TOTAL NONCURRENT ASSETS	111,224,528	29,070,295	-	140,294,823	108,049,382	30,508,737	-	138,558,119
TOTAL ASSETS	\$133,323,242	\$39,281,552	\$ (235,109)	\$172,369,685	\$130,808,979	\$40,599,829	\$ (409,111)	\$170,999,697
DEFERRED OUTFLOWS OF RESOURCES								
Deferred charge on OCIA lease restructure	\$ 318,376	\$ -	\$ -	\$ 318,376	\$ 424,501	\$ -	\$ -	\$ 424,501

COMBINING STATEMENTS OF NET POSITION--Continued

LANGSTON UNIVERSITY

	June 30, 2013				June 30, 2012			
	University	LLC	Eliminations	Total	University	LLC	Eliminations	Total
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Accounts payable	\$ 2,989,928	\$ -	\$ -	\$ 2,989,928	\$ 2,330,111	\$ 63,435	\$ -	\$ 2,393,546
Accrued liabilities	696,777	16,890	-	713,667	753,932	15,313	-	769,245
Other current liabilities	280,501	-	-	280,501	322,127	-	-	322,127
Unearned revenues	594,856	71,792	(71,794)	594,854	860,991	134,801	(134,801)	860,991
Student and other deposits	-	287,031	-	287,031	49,655	450,430	-	500,085
Accrued interest payable	-	342,054	-	342,054	-	350,912	-	350,912
Notes payable	-	296,784	-	296,784	-	269,155	-	269,155
Accrued compensated absences	2,281,009	-	-	2,281,009	2,621,806	-	-	2,621,806
Current portion of noncurrent liabilities	1,040,070	1,315,000	-	2,355,070	696,807	1,255,000	-	1,951,807
TOTAL CURRENT LIABILITIES	7,883,141	2,329,551	(71,794)	10,140,898	7,635,429	2,539,046	(134,801)	10,039,674
NONCURRENT LIABILITIES, net of current portion								
Unearned revenues	812,500	-	-	812,500	1,037,500	-	-	1,037,500
Accrued pension benefit obligation	405,749	-	-	405,749	407,747	-	-	407,747
Revenue bonds payable	7,133,494	40,824,863	-	47,958,357	7,515,980	42,119,632	-	49,635,612
Capital lease obligations payable to state agencies	17,431,685	-	-	17,431,685	18,249,556	-	-	18,249,556
TOTAL NONCURRENT LIABILITIES	25,783,428	40,824,863	-	66,608,291	27,210,783	42,119,632	-	69,330,415
TOTAL LIABILITIES	\$33,666,569	\$ 43,154,414	\$ (71,794)	\$76,749,189	\$34,846,212	\$44,658,678	\$ (134,801)	\$79,370,089
NET POSITION								
Net investment in capital assets	\$37,702,943	\$(11,754,568)	\$ -	\$25,948,375	38,003,812	(11,610,895)	-	26,392,917
Restricted:								
Nonexpendable	37,744,636	-	-	37,744,636	35,636,405	-	-	35,636,405
Expendable:								
Scholarships, research, instruction and other	599,553	-	-	599,553	684,797	-	-	684,797
Loans	556,998	-	-	556,998	707,352	-	-	707,352
Capital projects	1,991,484	-	-	1,991,484	1,427,578	-	-	1,427,578
Debt service	4,674,330	7,881,706	(163,315)	12,392,721	3,513,162	7,552,046	-	11,065,208
Unrestricted	16,705,105	-	-	16,705,105	16,414,162	-	(274,310)	16,139,852
TOTAL NET POSITION	\$99,975,049	\$ (3,872,862)	\$ (163,315)	\$95,938,872	\$96,387,268	\$ (4,058,849)	\$ (274,310)	\$92,054,109

COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

LANGSTON UNIVERSITY

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	University	LLC	Eliminations	Total	University	LLC	Eliminations	Total
OPERATING REVENUES								
Student tuition and fees, net of scholarship discounts and allowances of \$3,649,000 in 2013 and \$4,856,000 in 2012	\$ 7,268,150	\$ -	\$ -	\$ 7,268,150	\$ 8,804,403	\$ -	\$ -	\$ 8,804,403
Federal grants and contracts	14,478,975	-	-	14,478,975	13,997,203	-	-	13,997,203
State and local grants and contracts	338,565	-	-	338,565	528,980	-	-	528,980
Non-governmental grants and contracts	597,563	-	-	597,563	313,404	-	-	313,404
Auxiliary enterprise charges:								
Housing, net of scholarship discounts and allowances of \$2,236,000 in 2013 and \$2,759,000 in 2012	4,326,268	5,890,656	(5,890,656)	4,326,268	5,153,322	7,072,716	(7,226,869)	4,999,169
Food services, net of scholarship discounts and allowances of \$823,000 in 2013 and \$1,063,000 in 2012	1,785,021	-	-	1,785,021	2,083,465	-	-	2,083,465
Athletics	47,806	-	-	47,806	138,673	-	-	138,673
All other	170,690	59,465	(59,471)	170,684	174,046	51,541	(51,541)	174,046
Other operating revenues	585,711	260,060	(192,041)	653,730	670,224	138,838	(124,747)	684,315
TOTAL OPERATING REVENUES	29,598,749	6,210,181	(6,142,168)	29,666,762	31,863,720	7,263,095	(7,403,157)	31,723,658
OPERATING EXPENSES								
Compensation and employee benefits	29,936,257	884,299	-	30,820,556	32,372,213	852,799	-	33,225,012
Contractual services	3,525,565	-	-	3,525,565	4,060,912	-	-	4,060,912
Supplies and materials	1,223,684	219,073	-	1,442,757	1,015,779	234,513	-	1,250,292
Utilities	1,121,529	1,058,874	-	2,180,403	1,203,987	1,093,135	-	2,297,122
Communications	144,790	-	-	144,790	203,540	-	-	203,540
Other operating expenses	15,088,094	1,462,973	(6,253,162)	10,297,905	15,471,080	1,621,257	(7,439,128)	9,653,209
Scholarships and fellowships	5,084,967	-	-	5,084,967	5,626,049	-	-	5,626,049
Depreciation	2,390,256	1,460,145	-	3,850,401	2,409,542	1,460,145	-	3,869,687
TOTAL OPERATING EXPENSES	58,515,142	5,085,364	(6,253,162)	57,347,344	62,363,102	5,261,849	(7,439,128)	60,185,823
OPERATING INCOME (LOSS)	(28,916,393)	1,124,817	110,994	(27,680,582)	(30,499,382)	2,001,246	35,971	(28,462,165)
NONOPERATING REVENUES (EXPENSES)								
State appropriations	18,593,524	-	-	18,593,524	18,409,735	-	-	18,409,735
OTRS on-behalf contributions	1,687,000	-	-	1,687,000	1,742,000	-	-	1,742,000
Pass-through grant revenue	7,369,509	-	-	7,369,509	9,414,791	-	-	9,414,791
Contribution from LEDA	-	1,000,000	-	1,000,000	-	-	-	-
Charter schools program revenue	6,631,625	-	-	6,631,625	6,589,778	-	-	6,589,778
Charter schools program expenses	(6,366,759)	-	-	(6,366,759)	(6,336,251)	-	-	(6,336,251)
Investment income	730,985	177,697	-	908,682	854,697	107,944	-	962,641
Gain (loss) on endowment investments	218,528	-	-	218,528	(138,357)	-	-	(138,357)
Interest expense	(979,975)	(2,116,527)	-	(3,096,502)	(1,123,345)	(2,168,622)	-	(3,291,967)
NET NONOPERATING REVENUES	27,884,437	(938,830)	-	26,945,607	29,413,048	(2,060,678)	-	27,352,370
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,031,956)	185,987	110,994	(734,975)	(1,086,334)	(59,432)	35,971	(1,109,795)
State appropriations restricted for capital purposes	2,222,928	-	-	2,222,928	1,951,540	-	-	1,951,540
OCIA on-behalf payments	733,158	-	-	733,158	838,482	-	-	838,482
Additions to permanent endowments	1,663,652	-	-	1,663,652	1,646,236	-	-	1,646,236
CHANGE IN NET POSITION	3,587,782	185,987	110,994	3,884,763	3,349,924	(59,432)	35,971	3,326,463
NET POSITION AT BEGINNING OF YEAR (RESTATED)	96,387,267	(4,058,849)	(274,309)	92,054,109	93,037,344	(3,999,417)	(310,281)	88,727,646
NET POSITION AT END OF YEAR	\$ 99,975,049	\$ (3,872,862)	\$ (163,315)	\$ 95,938,872	\$ 96,387,268	\$ (4,058,849)	\$ (274,310)	\$ 92,054,109

COMBINING STATEMENTS OF CASH FLOWS

LANGSTON UNIVERSITY

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	University	LLC	Total	University	LLC	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Student tuition and fees	\$ 7,309,877	\$ -	\$ 7,309,877	\$ 9,128,165	\$ -	\$ 9,128,165
Grants and contracts	15,127,054	-	15,127,054	16,074,175	-	16,074,175
Auxiliary enterprise charges	365,117	6,296,852	6,661,969	(339,181)	7,359,022	7,019,841
Other operating receipts	77,185	-	77,185	489,262	-	489,262
Payments to employees for salaries and benefits	(28,593,628)	(882,722)	(29,476,350)	(30,376,710)	(837,486)	(31,214,196)
Payments to suppliers	(19,000,474)	(2,967,755)	(21,968,229)	(21,038,391)	(2,816,327)	(23,854,718)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(24,714,869)	2,446,375	(22,268,494)	(26,062,680)	3,705,209	(22,357,471)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Federal grants and contracts	7,369,509	-	7,369,509	9,414,791	-	9,414,791
State and local grants and contracts	264,866	-	264,866	253,527	-	253,527
State appropriations	18,593,524	-	18,593,524	18,409,735	-	18,409,735
Direct lending receipts	16,274,861	-	16,274,861	20,752,007	-	20,752,007
Direct lending payments	(16,274,861)	-	(16,274,861)	(20,752,007)	-	(20,752,007)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	26,227,899	-	26,227,899	28,078,053	-	28,078,053
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Cash paid for capital assets	(2,296,275)	(21,703)	(2,317,978)	(1,777,319)	-	(1,777,319)
Capital appropriations received	2,956,086	-	2,956,086	2,790,022	-	2,790,022
Contributions from LEDA	-	1,000,000	1,000,000	-	-	-
Repayments of capital debt and leases	(1,231,392)	(1,255,000)	(2,486,392)	(1,204,773)	(1,205,000)	(2,409,773)
Interest paid on capital debt and leases	(1,027,713)	(2,077,524)	(3,105,237)	(1,221,982)	(2,082,599)	(3,304,581)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACITIVITIES	(1,599,294)	(2,354,227)	(3,953,521)	(813,447)	(3,287,599)	(4,101,046)
CASH FLOWS FROM INVESTING ACTIVITIES						
Net purchases/sales of investments	(289,751)	(34,379)	(324,130)	142,516	34,319	176,835
Interest received on investments	732,842	175,840	908,682	853,346	109,295	962,641
NET CASH PROVIDED BY INVESTING ACTIVITIES	443,091	141,461	584,552	995,862	143,614	1,139,476
NET INCREASE IN CASH AND CASH EQUIVALENTS	356,827	233,609	590,436	2,197,788	561,224	2,759,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,044,419	6,972,722	30,017,141	20,846,631	6,411,498	27,258,129
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 23,401,246	\$7,206,331	\$ 30,607,577	\$ 23,044,419	\$6,972,722	\$ 30,017,141

COMBINING STATEMENTS OF CASH FLOWS--Continued

LANGSTON UNIVERSITY

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	University	LLC	Total	University	LLC	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$(28,805,398)	\$1,124,816	\$(27,680,582)	\$(30,463,411)	\$2,001,246	\$(28,462,165)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,390,256	1,460,145	3,850,401	2,409,542	1,460,145	3,869,687
On-behalf contributions to teachers' retirement system	1,687,000	-	1,687,000	1,742,000	-	1,742,000
Changes in operating assets and liabilities:						
Accounts, loans and other receivables	(149,220)	149,680	460	1,016,657	109,514	1,126,171
Accounts payable and accrued expenses	991,928	(61,858)	930,070	(676,798)	78,748	(598,050)
Unearned revenues	(428,128)	(63,009)	(491,137)	(349,800)	(13,587)	(363,387)
Other current liabilities and student deposits	(58,513)	(163,399)	(221,912)	(9,686)	69,143	59,457
Compensated absences and pension benefit obligation	(342,794)	-	(342,794)	268,816	-	268,816
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$(24,714,869)	\$2,446,375	\$(22,268,494)	\$(26,062,680)	\$3,705,209	\$(22,357,471)
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	\$ 733,158	\$ -	\$ 733,158	\$ 838,482	\$ -	\$ 838,482
Additions to permanent endowments	\$ 1,663,652	\$ -	\$ 1,663,652	\$ 1,646,236	\$ -	\$ 1,646,236
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION						
Current assets:						
Cash and cash equivalents	\$ 17,829,614	\$2,936,927	\$ 20,766,541	\$ 18,502,213	\$2,731,492	\$ 21,233,705
Restricted cash and cash equivalents	153,155	4,269,404	4,422,559	221,970	4,241,230	4,463,200
Noncurrent assets:						
Restricted cash and cash equivalents	5,418,477	-	5,418,477	4,320,236	-	4,320,236
TOTAL CASH AND CASH EQUIVALENTS	\$ 23,401,246	\$7,206,331	\$ 30,607,577	\$ 23,044,419	\$6,972,722	\$ 30,017,141

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Independent Auditors' 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 the financial statements of Langston University (the "University"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of Langston University Foundation (the "Foundation"), the University's discretely presented component unit, and LDF Student Housing, L.L.C. (the "LLC") the University's blended 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2013-01 to be a material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2013-02 to be a *significant deficiency*.

Compliance and Other Matters

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

University's Responses to Findings

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

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2013

SCHEDULE OF FINDINGS AND RESPONSES

LANGSTON UNIVERSITY

Year Ended June 30, 2013

FINDING 2013-01

Deficiency:

During our testing of accounts payable, we noted multiple invoices for services performed or goods received during the year paid subsequently to year-end that were not recorded as liabilities as of June 30, 2013.

Requirement:

Liabilities incurred prior to the end of the fiscal year should be accrued at their actual or estimated amounts.

Effect of the Condition:

Accounts payable, property and equipment, and expenses were understated by \$1,122,711, \$160,124, and \$962,587, respectively.

Cause of the Condition:

In order to determine accounts payable at year-end, the Accounting Manager generates a report containing all invoices dated prior to year-end but paid after year-end. These invoices are then recorded in accounts payable as of year-end. This process erroneously excludes all invoices for services performed or goods received during the year that are dated after year-end or paid after the date the report is generated. There are currently no compensating controls in place to detect such transactions. Other factors contributing to the condition include untimely liquidation of invoices and copies of unpaid or disputed invoices not being provided to the accounting department.

Recommendation:

We recommend that the University establish procedures that are sufficient to ensure that all invoices for services performed or goods received during the year are included in accounts payable as of year-end. These procedures may include modifying the report generated, instating an additional process designed to detect items not included in the report, and ensuring that proper oversight surrounding the process is in place. Involving the personnel that record the payment of invoices could reduce the burden on the person reviewing transactions at year-end. In addition to the foregoing, developing procedures to make certain that invoices are paid timely and copies of all unpaid or disputed invoices are provided timely to the accounting department will be beneficial in ensuring the completeness of accounts payable.

SCHEDULE OF FINDINGS AND RESPONSES--Continued

LANGSTON UNIVERSITY

Year Ended June 30, 2013

FINDING 2013-01--Continued

Views of a Responsible Official:

The University concurs with the recommendations. The University will revise the existing report to include invoices received after June 30 and/or utilize other available technology to identify all post-June 30 payments that apply to goods and services received prior to year-end. Because many of the issues relate to outsourced vendors, the Physical Plant has begun sending Fiscal Affairs a monthly accounting of what should be invoiced for services rendered each month. Accounting can then trace those to payments made to determine they have been either paid or included in our unrecorded liabilities reports, and if not, accrued accordingly. The University is continuing to emphasize the timeliness of payments to vendors, and addressing processing issues in the procurement/payment cycles. The University's Comptroller resigned in July 2013. This position has been posted, and when filled on a permanent basis, the Comptroller will be directed to review all available reports and data to make sure that liabilities included in the financial statements will be appropriately reported.

SCHEDULE OF FINDINGS AND RESPONSES--Continued

LANGSTON UNIVERSITY

Year Ended June 30, 2013

FINDING 2013-02

Deficiency:

The University erroneously excluded the employer's portion of social security, Medicare taxes, and contributions to retirement plans from the liability for accrued compensated absences as of the end of the current and prior fiscal years.

Requirement:

In addition to accruing a liability for compensated absences calculated based on the pay or salary rates in effect at year-end, an additional amount should be accrued as a liability for salary-related payments associated with the payment of compensated absences using the rates in effect at year-end. Such payments include the employer's share of social security and Medicare taxes as well as the employer's contributions to retirement plans.

Effect of the Condition:

For the fiscal years ended June 30, 2013 and 2012, the liability for accrued compensated absences was understated by approximately \$494,000 and \$434,000, respectively.

Cause of the Condition:

The University did not properly apply the provisions of GASB Statement No. 16 *Accounting for Compensated Absences* to its calculation of accrued compensated absences.

Recommendation:

It is our recommendation that University personnel review GASB Statement No. 16 and modify its calculation of accrued compensated absences to conform to the provisions of the accounting standard.

Views of a Responsible Official:

The University concurs. The calculation was modified for FY 2013 and prior periods after it was brought to the University's attention by Crawford and Associates, an accounting entity engaged to assist the University with its financial reporting for the current fiscal year. It will be the responsibility of the Comptroller to determine that the provisions of GASB Statement No. 16, and all additional applicable statements to the financial statements of the University, have been appropriately addressed in the financial statements.