



COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA
(An Agency of the State of Oklahoma)

Basic Financial Statements

June 30, 2012

(With Independent Auditors' Report Thereon)

COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA
(An Agency of the State of Oklahoma)

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KPMG LLP
210 Park Avenue, Suite 2850
Oklahoma City, OK 73102-5683

Independent Auditors' Report

Commissioners of the Land Office
State of Oklahoma:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Commissioners of the Land Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commissioners of the Land Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners of the Land Office's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1 to the financial statements, the financial statements of the Commissioners of the Land Office, State of Oklahoma, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State that is attributable to the transactions of the Commissioners of the Land Office. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2012, or the changes in its financial position, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012 on our consideration of the Commissioners of the Land Office'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commissioners of the Land Office's basic financial statements. The combining balance sheets and other schedules listed as other supplementary information in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining balance sheets and other schedules listed as other supplementary information in the Table of Contents have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheets and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 26, 2012

COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA

(An Agency of the State of Oklahoma)

Management's Discussion and Analysis

June 30, 2012

Our discussion and analysis of the Commissioners of the Land Office (the Agency), State of Oklahoma's financial performance provides an overview of the agency's financial activity for the fiscal year ended June 30, 2012. It should be read in conjunction with the financial statements, which begin, on page 8.

Financial Highlights

- Net Assets are up approximately \$31 million. The increase was primarily caused by an increase in oil and gas activity during the year and resulting mineral revenues. Of the \$128.6 million in mineral revenues, royalties of \$54.4 million were added to the permanent fund and \$74.2 million in lease bonuses and delay rentals were apportioned.
- Interest from investments was down \$6.2 million, from \$67.9 million in fiscal year 2011 to \$61.7 million in fiscal year 2012.
- Actual cash distributions to beneficiaries were down \$13.0 million, from \$156 million in fiscal year 2011 to \$143.0 million in fiscal year 2012 primarily due to anticipation of House Bill 2927 relating to the five year rolling average. Of the \$143.0 million in cash distributions during fiscal year 2012, \$38.5 million were to universities and colleges, \$102.1 million were to public schools, and \$2.4 million were to public buildings.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The above financial statements report governmental activities. Most services normally associated with state government fall into this category, including support for both common public schools and higher education (apportionments).

The government-wide financial statements can be found on pages 8 and 9 of this report.

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Management's Discussion and Analysis

June 30, 2012

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the permanent fund, both of which are considered to be major funds.

The Agency adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 24 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$1.9 billion at the close of the most recent fiscal year.

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The largest portion of the Agency's net assets (98%) are subject to external restrictions on how they may be used. The Agency uses these assets to provide apportionments to beneficiaries.

Net Assets

(In thousands)

	2012	2011
Current assets	\$ 1,958,927	1,907,426
Capital assets, net	6,719	6,548
Other assets	2,049	3,946
Total assets	\$ 1,967,695	1,917,920
Current liabilities	\$ 56,521	37,295
Invested in capital assets	6,719	6,549
Restricted	1,878,722	1,859,218
Unrestricted	25,733	14,858
Total net assets	\$ 1,911,174	1,880,625

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There was an increase of \$30.5 million in net assets, the key elements of the increase are as follows:

Changes in Net Assets

(In thousands)

	2012	2011
Expenses:		
Apportionments	\$ 162,597	156,001
Custodial fees	6,156	6,000
Administrative	5,524	5,709
Other	990	381
Total expenses	175,267	168,091
Revenues:		
Program revenue:		
Investment earnings	58,919	267,684
Mineral revenues	128,614	124,503
Rents	12,366	12,709
Other	5,917	3,883
Total revenues	205,816	408,779
Change in net assets	30,549	240,688
Net assets at beginning of year	1,880,625	1,639,937
Net assets at end of year	\$ 1,911,174	1,880,625

- Apportionments increased from \$156 million in fiscal year 2011 to \$162.6 million during fiscal year 2012. The increase was primarily due to dividend income and increased mineral lease bonus revenues. While apportionments increased from fiscal year 2011, actual cash distributions to beneficiaries were down \$13.0 million, from \$156 million in fiscal year 2011 to \$143.0 million in fiscal year 2012, primarily due to anticipation of House Bill 2927 relating to the five year rolling average for apportionment distributions.
- Investment earnings decreased from \$267.7 million in fiscal year 2011 to \$58.9 million in fiscal year 2012. Most of the decrease was due to low market returns that resulted in a net realized and unrealized loss.
- Mineral income increased from \$124.5 million in fiscal year 2011 to \$128.6 million in fiscal year 2012. The increase was due to higher natural gas prices and an increase in mineral leasing activity.

Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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Management's Discussion and Analysis

June 30, 2012

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the Agency's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Agency's governmental funds reported a combined ending fund balance of \$1.9 billion, an increase of \$30.4 million in comparison with the prior year. Approximately \$1.88 billion is nonspendable or restricted to indicate that it is not available for general purposes because it has already been committed to beneficiaries. The remainder of the fund balance is unassigned which is available for spending at the Agency's discretion.

The general fund is the administrative fund of the Agency. At June 30, 2012, the unassigned fund balance was \$26.1 million, or 264% of budgeted general fund expenditures. The unassigned fund balance of the general fund increased by \$10.9 million from June 30, 2010 primarily due to an increase in the Agency's 6% operational fees derived from the trust fund revenues.

The entire balance of the permanent fund is for the use and benefit of common education and thirteen Oklahoma colleges and universities. Total revenue, which includes the increase in fair market value of investments, was \$204.9 million compared to \$408.2 million of prior year. Cash apportionments distributed to beneficiaries during 2012 totaled \$143.0 million with \$38.5 million disbursed to universities and colleges, \$102.1 million disbursed to public schools, and \$2.4 million to public buildings. This was a decrease of \$13.0 million from the cash apportionments distributed during fiscal year 2011.

General Fund Budgetary Highlights

For fiscal year 2012, general fund actual expenditures (including transfers) on a budgetary basis were \$5.7 million compared to the budget of \$9.9 million. The \$4.2 million variance was primarily due to delays in the implementation of a technology upgrade and soil conservation projects.

Description of Current and Expected Conditions

The Commissioners of the Land Office are not aware of and do not anticipate any significant changes in conditions that would have a significant effect on the financial position or results of activities of the Agency in the near future.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances and to show the Agency's accountability to its beneficiaries. If you have questions about this report or need additional financial information, contact the Agency's office at 120 N. Robinson, Suite 1000W, Oklahoma City, Oklahoma 73102.

COMMISSIONERS OF THE LAND OFFICE
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Statement of Net Assets

June 30, 2012

Current assets:	
Cash and cash equivalents	\$ 133,425,764
Investments	1,793,491,752
Loans receivable	5,747
Accrued interest receivable	13,241,513
Current portion of note receivable	1,896,974
Other receivables	16,865,375
Total current assets	<u>1,958,927,125</u>
Noncurrent assets:	
Capital assets, net	1,120,219
Land	5,598,882
Note receivable	2,048,731
Total noncurrent assets	<u>8,767,832</u>
Total assets	<u>1,967,694,957</u>
Current liabilities:	
Accounts payable and accrued expenses	50,694,553
Deferred revenue	5,826,675
Total current liabilities	<u>56,521,228</u>
Net assets:	
Invested in capital assets	6,719,101
Restricted for education:	
Nonexpendable	1,858,796,178
Expendable	19,925,875
Unrestricted	25,732,575
Total net assets	<u>\$ 1,911,173,729</u>

See accompanying notes to financial statements.

COMMISSIONERS OF THE LAND OFFICE
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Statement of Activities

June 30, 2012

Expenses:

Education:

Apportionments to beneficiaries:

Universities and colleges	\$ 50,755,589
Public schools	105,570,263
Public buildings	6,271,013

Total apportionments	162,596,865
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Custodial fees	6,156,161
Administrative expenses	5,524,000
Other expenses	754,688
Depreciation / amortization	235,201

Total program expenses	175,266,915
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Program revenues:

Investment earnings:

Interest	61,708,546
Dividends	19,848,324
Net decrease in fair value of investments	(22,637,687)

Net investment gain	58,919,183
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Mineral revenues	128,614,039
Rents	12,365,619
Gain on sale	317,683
Miscellaneous	2,995,458
Fees	408,310
Other interest	2,195,321

Total program revenues	205,815,613
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Change in net assets	30,548,698
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Net assets at beginning of year	1,880,625,031
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Net assets at end of year	\$ 1,911,173,729
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See accompanying notes to financial statements.

**COMMISSIONERS OF THE LAND OFFICE
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Balance Sheet – Governmental Funds

June 30, 2012

	General fund	Permanent fund	Total
Assets:			
Cash and cash equivalents	\$ 27,182,049	106,243,715	133,425,764
Investments	—	1,793,491,752	1,793,491,752
Loans receivable	—	5,747	5,747
Accrued interest receivable	—	13,241,513	13,241,513
Other receivables	16,812	16,848,561	16,865,373
Note receivable	—	3,945,705	3,945,705
Total assets	\$ 27,198,861	1,933,776,993	1,960,975,854
Liabilities:			
Accounts payable and accrued expenses	\$ 1,134,729	49,228,265	50,362,994
Deferred revenue	—	5,826,675	5,826,675
Total liabilities	1,134,729	55,054,940	56,189,669
Fund balance:			
Nonspendable:			
Long-term note receivable	—	3,945,705	3,945,705
Permanent fund corpus	—	1,858,796,178	1,858,796,178
Restricted for education	—	15,980,170	15,980,170
Unassigned	26,064,132	—	26,064,132
Total fund balance	\$ 26,064,132	1,878,722,053	1,904,786,185
Capital assets not considered financial resources and not included in funds			6,719,101
Compensated absences not due and payable in the current period			(331,557)
Net assets of governmental activities			\$ 1,911,173,729

See accompanying notes to financial statements.

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Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended June 30, 2012

	General fund	Permanent fund	Total
Revenues:			
Investment revenues:			
Interest	\$ —	61,708,546	61,708,546
Dividends	—	19,848,324	19,848,324
Net increase in fair value of investments	—	(22,637,687)	(22,637,687)
Net investment revenue	—	58,919,183	58,919,183
Fees	16,266,980	—	16,266,980
Other interest	459,606	1,735,715	2,195,321
Mineral revenues	—	128,614,039	128,614,039
Rents	—	12,365,619	12,365,619
Gain on sale of land	—	317,683	317,683
Miscellaneous revenue	—	2,995,458	2,995,458
Total revenues	16,726,586	204,947,697	221,674,283
Expenditures:			
Administrative expenses	5,780,533	15,858,670	21,639,203
Other	10,057	832,790	842,847
Custodial fees	—	6,156,161	6,156,161
Apportionments to beneficiaries:			
Universities and colleges	—	50,755,589	50,755,589
Public schools	—	105,570,263	105,570,263
Public buildings	—	6,271,013	6,271,013
Total expenditures	5,790,590	185,444,486	191,235,076
Net change in fund balances	10,935,996	19,503,211	30,439,207
Fund balances at beginning of year	15,128,136	1,859,218,842	1,874,346,978
Fund balances at end of year	\$ 26,064,132	1,878,722,053	1,904,786,185
Net change in fund balances			\$ 30,439,207
Fixed assets purchased			823,639
Increase in liability for compensated absences			(61,017)
Current year depreciation expense			(235,201)
Disposal of fixed assets			(417,930)
Change in net assets – governmental activities			\$ 30,548,698

See accompanying notes to financial statements.

COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA
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Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

(a) Organization

In 1906, the Government of the United States of America granted certain assets to the State of Oklahoma (the State) to be held in trust for the benefit of public education including the Common Schools of Oklahoma and other beneficiaries. The Constitution of the State of Oklahoma established the Commissioners of the Land Office (the Agency) to act as trustee for these trust assets (the Trust), which are held for the benefit of the following beneficiaries:

- Public Schools
- Public Building Fund
- University of Oklahoma
- Oklahoma State University
- Langton University
- Northern Oklahoma College
- Southeastern Oklahoma State University
- Northeastern Oklahoma State University
- University of Central Oklahoma
- East Central Oklahoma State University
- Southwestern Oklahoma State University
- Northwestern Oklahoma State University
- Cameron University
- Panhandle State University
- University of Science and Arts

(b) Apportionment

The primary goal of the Commissioners of the Land Office is to support education. To accomplish this goal, monthly distributions are made to both common schools and Oklahoma colleges. The amount that is distributed to the common school districts is calculated from the average daily attendance, which is provided from the Department of Education each fiscal year. Effective in FY2013, House Bill 2927 has enabled the CLO to implement a multiyear education distribution stabilization fund based off of a five year rolling average. This new legislation helps provide consistent distributions for the 522 common school districts. As with common schools, college apportionment is distributed monthly. The college distribution is divided on a percentage basis as outlined in Title 70, section 3904 of the Oklahoma Statutes.

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Notes to Financial Statements

June 30, 2012

(c) ***Basis of Presentation***

The accounting and reporting policies of the Agency conform to accounting principles generally accepted in the United States applicable to governmental units. Generally accepted accounting principles for state agencies are defined as those principles prescribed by the Governmental Accounting Standards Boards (GASB). The Agency has adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 mandates government-wide financial statements of net assets and activities, which are presented on the economic resources measurement focus and accrual basis of accounting requiring that certain fixed assets be recorded at cost less accumulated depreciation and the reporting of long-term liabilities.

The Agency also presents fund financial statements for all of the funds relevant to the operations of the Agency. The Agency’s financial statements are included in the statewide financial statements of the State of Oklahoma.

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of its assets, liabilities, fund balance, revenues, and expenditures. The various funds are grouped, in the financial statements of this report, into two funds as follows:

- **General Fund** – The General Fund is classified as a Governmental Fund Type and uses the current financial resources measurement focus and modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred except for compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The General Fund consists of several individual accounts, including the Revolving 16 account, and the Commissioners of the Land Office (CLO) account. The Revolving 16 account contains certain fees expenditures for administration of the Trust. The CLO account receives six percent of the revenues earned by the Permanent Fund, with the exception of gains on the sale of permanent land.
- **Permanent Fund** – The Permanent Fund is classified as a Governmental Fund Type and is used to account for all Trust assets, liabilities, fund balances, revenues and distributions to beneficiaries. The permanent fund uses the current financial resources measurement focus and modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when incurred. The Permanent Fund represents the historic dollar value of the Permanent Fund assets, along with certain additions, and must be maintained in perpetuity. Additions to the Permanent Fund are made by the retention of a portion of the revenues generated by depletable assets that are considered a return of principal as a result of production.

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The Agency considers all revenues available if they are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. A thirty-day period is used for revenue recognition for all governmental fund type revenues. Those revenues susceptible to accrual are interest revenue, mineral revenues, and surface leases.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, and then unrestricted resources as they are needed.

(d) Budget

The Agency operates on internally generated funds under a financial work program approved by the State Legislature and administered by the Office of State Finance. The Agency does not receive any State general funds. A budgetary comparison is presented as required supplementary information on the cash basis of accounting.

(e) 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

(f) Cash and Cash Equivalents

The Agency considers highly liquid investments with original maturities of three months or less to be cash equivalents.

(g) Loans

Installment notes and loans receivable consist of installment notes from sale of land and farm loans, respectively. The receivables are generally collectible in installments over periods ranging from 25 to 33 years. Interest rates range from 4% to 10%. All notes and loans are collateralized by a first mortgage.

The Agency has not established an allowance for uncollectible accounts relating to installment sales and farm loans. Bad debts in prior years have not been material to the financial statements. In addition, all receivables are secured by first mortgages on real estate.

(h) Land

The Federal government granted the Agency upon statehood approximately 3.1 million acres of land, of which approximately 693,000 acres remain at June 30, 2012. This land is held in trust and is stated at \$1 per acre in the financial statements at June 30, 2012. The \$1 per acre was set as a nominal amount for recordkeeping purposes.

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June 30, 2012

The Agency has repossessed approximately 51,000 acres, which had been sold by the Agency, or on which the Agency held a first mortgage as collateral relating to farm loans made by the Agency in prior years. The land was recorded at lower of cost or market at date of foreclosure or repossession as determined by appraisals of the property. At June 30, 2012, repossessed land is carried at approximately \$4,906,000.

Land is considered capital assets and is reported at cost.

(i) Depreciable Capital Assets

Capital assets, which include improvements and fixtures, furniture and equipment, are assets with an estimated useful life in excess of one year. Such assets are recorded at cost. Donated fixed assets are valued at their estimated fair value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized, while improvements and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Improvements	25 years
Fixtures, furniture and equipment	5 years

(j) Deferred Revenue

The deferred revenue represents lease billings not yet earned. This deferred revenue is recognized when earned in the following year.

(k) Income Taxes

Since the Agency is considered a governmental unit, it is not subject to income taxes, and no amount for taxes has been recorded in the accompanying statements.

(l) Investments

The Agency is allowed by state statutes to invest in equities, fixed income investments, and cash equivalents. Each type of investment has a minimum, maximum, and target percentage that has been established by the Agency's investment committee.

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Notes to Financial Statements

June 30, 2012

(m) *Compensated Absences*

In accordance with State policy, employees earn annual leave on a calendar month basis at rates of 10 to 15 hours per month. Annual leave can be accumulated from 240 to 480 hours depending on the years of continuous service in State employment. At June 30, 2012, unpaid and accumulated benefits totaled \$331,557. The activity for the year is as follows:

Beginning balance	\$	270,540
Leave earned		211,759
Leave used		<u>(150,742)</u>
Ending balance	\$	<u><u>331,557</u></u>

(2) *Deposits, Investments, and Related Policies*

(a) *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Agency's deposits may not be returned or the Agency will not be able to recover collateral securities in the possession of an outside party. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Trust, and are held by counterparty or the counterparty's trust department but not in the name of the Trust.

(b) *Deposits*

The Agency uses a pooled cash concept in maintaining its bank accounts. Cash is pooled for operating and investing purposes and each fund has equity in the pooled amount. For reporting purposes, cash has been allocated to each fund based on its equity in the pooled amount. Currently, cash is deposited at the State Treasury. Since cash is deposited with the State Treasury, the cash is fully insured or collateralized by the Treasurer. Cash is also maintained by the Bank of Oklahoma's Trust Department as part of various investments accounts held in the name of the Agency. Investment policy requires that these deposits must be invested in fully collateralized interest bearing accounts.

(c) *Investments*

Investments are reported at fair value, which represents primarily stated market prices. Actual gains and losses realized by the Agency will be determined at the time of the sale and will be based on market conditions at that date. The Agency also has a policy that requires the Trust to have a current custodial agreement in the Agency's name with respect to investment collateral held by third-party custodians. In addition, the Bank of Oklahoma maintains a blanket bond insurance policy that covers all Trust assets.

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June 30, 2012

Substantially all investments are held by Bank of Oklahoma Trust Department. Funds held by Bank of Oklahoma are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$	54,941,167
Investments		1,793,491,752
Accrued interest on investments		<u>13,241,513</u>
Total		<u><u>\$ 1,861,674,432</u></u>

Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Agency is authorized by State statutes to invest in equities, fixed income investments, and cash equivalents. Each type of investment has a minimum, maximum, and target percentage that has been established by the Agency's investment committee. The Agency considers investment grade as the top four rating categories (AAA, AA, A, and BBB/BAA). Below investment grade corporate fixed income investments shall be limited to twenty percent of the investment manager's total portfolio. This restriction does not apply to dedicated high yield managers or convertible managers. As applicable, average credit quality ratings are disclosed in the table below to indicate associated credit risk.

Fixed income investments at June 30, 2012 consisted of the following:

	2012	
	Fair value	Moody rating
U.S. government agencies:		
U.S. Treasury Bond	\$ 21,077,601	AAA
U.S. Treasury Note	69,646,003	AAA
Federal Home Loan Mortgage Corp	75,486,969	AAA
Federal National Mortgage Corp	141,262,550	AAA
Government National Mortgage Association	21,874,251	AAA
Other	<u>10,321,355</u>	AAA
	<u>339,668,729</u>	
Municipal obligations:		
Municipal Bonds	180,084	AAA
Municipal Bonds	1,845,831	AA
Municipal Bonds	<u>17,188,771</u>	A
	<u>19,214,686</u>	

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June 30, 2012

	2012	
	Fair value	Moody rating
Corporate bonds (held in U.S. currency):		
Domestic Bonds	\$ 22,605,728	AAA
Domestic Bonds	21,635,947	AA
Domestic Bonds	38,089,382	A
Domestic Bonds	180,701,463	BAA
Domestic Bonds	88,034,628	BA
Domestic Bonds	119,624,237	B
Domestic Bonds	31,606,713	CAA
Domestic Bonds	2,372,125	CA
Domestic Bonds	68,359,530	NR
	573,029,753	
Foreign bonds (held in U.S. currency):		
Foreign Bonds	669,870	AA
Foreign Bonds	17,876,639	A
Foreign Bonds	14,068,732	BAA
Foreign Bonds	10,576,043	BA
Foreign Bonds	2,911,250	B
Foreign Bonds	669,500	CAA
Foreign Bonds	5,482,933	NR
	52,254,967	
Money market:		
Invesco Aim Prime Resource	46,999,547	NR
Total fixed income	\$ 1,031,167,682	

Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investments in a single issuer. It is generally considered that an increased risk of loss occurs as more investments are acquired from a single issuer. The Agency has formal written policies regarding the concentration of credit risk for both unsecured fixed income investments and equity-type investments. With the exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio at market will be invested in the securities of a single issuer or 5% of the bond portfolio in an individual issue. Equity managers shall not invest more than 10% of its portfolio market value in any one company. Equity managers may invest up to 5% of their portfolio's market value at the time of the initial purchase in a single entity. At June 30, 2012, Federal National Mortgage Corp. represented 7.9% of the Agency's investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate

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changes. The Agency's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from the over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

The Agency's closure to interest rate risk is as follows:

	2012	
	Fair value	Effective duration (years)
U.S. government securities:		
U.S. Treasury Bond	\$ 21,077,601	7.701
U.S. Treasury Note	69,646,003	2.102
Government National Mortgage Association	21,874,251	1.042
Other	10,321,355	4.254
	122,919,210	
Mortgage-backed securities:		
Federal Home Loan Mortgage Corp	75,486,969	0.918
Federal National Mortgage Corp	141,262,550	2.387
	216,749,519	
Municipal obligations:		
Municipal Bonds	19,214,686	9.988
Corporate bonds (held in U.S. currency):		
Domestic Bonds	573,029,753	4.854
Foreign Bonds	52,254,967	5.434
	625,284,720	
Money market:		
Invesco Aim Prime Resource	46,999,547	NA
Total fixed income	\$ 1,031,167,682	

(3) Leasing Operations

The Agency leases to others approximately 743,000 acres of land belonging to the Trusts as of June 30, 2012, primarily for agricultural purposes.

The lease terms are generally for five-year periods (on a calendar year basis) with rents prepaid one year in advance. The annual rental amount is determined by the lessee's maximum bid amount.

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The following is a schedule of the future minimum rent due to the Agency under its noncancelable leases at June 30, 2012:

2013	\$	8,910,548
2014		7,683,264
2015		5,557,317
2016		3,504,844
		25,655,973
	\$	25,655,973

(4) Investment Property

In 2004, the Agency sought and received legislative authorization for an investment in a real estate property located at the Lake Texoma State Park area in southern Oklahoma. The Agency purchased 750 acres of real property from the state and federal government for the purpose of packaging the property as a resort development. The Agency paid approximately \$4.9 million as an initial investment. The Agency offered the property in a "Request for Proposal" format and received and accepted an offer of \$14.6 million over a six-year period. Two closings were executed in January and May 2008 and a total of \$5,600,000 cash and a \$9,000,000 note was received. The Agency is the beneficiary on two standby letters of credit totaling \$9,000,000 backing the note receivable. The note receivable has no stated interest rate, but has been discounted by the Agency at 8%. The future imputed interest and principal reduction is as follows:

Date	Principal	Interest	Total payment
January 29, 2013	\$ 1,896,974	315,656	2,212,630
January 29, 2014	2,048,731	163,899	2,212,630
Total	\$ 3,945,705	479,555	4,425,260

(5) Other Receivables

Other receivables at June 30, 2012 consisted of the following:

Accrued mineral revenue	\$	15,144,555
Surface leases (net allowance of \$1,113,275)		1,704,007
Gas marketing		16,813
Total	\$	16,865,375

The Agency has been carrying several lease rental accounts as receivable for several years. Management has determined that an allowance for these accounts should be established. The allowance for doubtful accounts as of June 30, 2012 is \$1,113,275. The balance of these lease rentals are considered fully collectible.

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June 30, 2012

(6) Investment in Land and Mineral Rights (Unaudited)

The Agency obtained the majority of the land held in trust from a grant of the United States prior to statehood. The land is mainly in the western portion of Oklahoma, with approximately 40% of the land being located in the Oklahoma Panhandle. Management estimates the market value of the land at June 30, 2012 is approximately \$518,000,000 using land values established by in-house appraisers. Each year, one-fifth (1/5) of the land is appraised and that value is carried for five years.

Currently, the Agency owns approximately 1,132,000 mineral acres. Valuation of such properties normally requires a property-by-property reserve study. As this is not feasible, an estimated market value of the mineral rights has not been determined.

(7) Related Party Transactions

During the course of normal operations, the Agency purchases goods and services from other State agencies. The expenditures made to other State agencies during the fiscal year ending June 30, 2012 was approximately \$183,000.

(8) Employee Benefit Plans

(a) Retirement Plan

The Agency contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing multiple-employer public employee retirement system administered by the Oklahoma Public Employees Retirement System (the System). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 74 of the Oklahoma Statutes, Sections 901-943, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of the System. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be obtained by writing to the System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, Oklahoma 73118 or by calling 1-800-733-9008.

Plan members and the Agency are required to contribute at a rate set by statute. The contribution requirements of plan members and the Agency are established and may be amended by the legislature of the State of Oklahoma. The contribution rate for the Agency and plan members is as follows:

Fiscal year 2012	
Employees	Agency
All salary	All salary
3.5%	16.5%

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June 30, 2012

Fiscal year 2011	
Employees	Agency
All salary	All salary
3.5%	15.5%

The Agency and employee (combined) contributions to the Plan for the years ended June 30, 2012, 2011, and 2010 were approximately \$480,000, \$505,000, and \$491,000, respectively, and was equal to its required contribution for each year.

(b) *Deferred Compensation Plan*

The State offers to its own employees, state agency employees and other duly constituted authority or instrumentality employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 and Chapter 45 of Title 74, Oklahoma Statutes. The Oklahoma State Employees Deferred Compensation Plan (the 457 Plan), also known as SoonerSave, is a voluntary plan that allows participants to defer a portion of their salary into the 457 Plan. Participation allows a person to shelter the portion of their salary that they defer from current federal and state income tax. Taxes on the interest or investment gains on this money, while in the 457 Plan, are also deferred. The deferred compensation is not available to employees until termination, retirement, death or approved unforeseeable emergency.

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among various 457 Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the 457 Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the 457 Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the years ended June 30, 2012 and 2011. The Agency believes that it has no liabilities in respect to the State's plan.

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June 30, 2012

(9) Capital Assets

The changes in the capital asset accounts for fiscal year 2012 were as follows:

	<u>Beginning balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 5,598,882	—	—	5,598,882
Total capital assets, not being depreciated	<u>5,598,882</u>	<u>—</u>	<u>—</u>	<u>5,598,882</u>
Capital assets, being depreciated:				
Furniture, fixture and equipment	859,315	88,046	(273,643)	673,718
Land improvements	1,074,540	735,593	(610,009)	1,200,124
Total capital assets, being depreciated	<u>1,933,855</u>	<u>823,639</u>	<u>(883,652)</u>	<u>1,873,842</u>
Less accumulated depreciation, for:				
Furniture, fixture and equipment	660,904	73,890	(257,388)	477,406
Land improvements	323,240	161,311	(208,334)	276,217
Total accumulated depreciation	<u>984,144</u>	<u>235,201</u>	<u>(465,722)</u>	<u>753,623</u>
Total capital assets being depreciated, net	<u>949,711</u>	<u>588,438</u>	<u>(417,930)</u>	<u>1,120,219</u>
Governmental activities, capital assets, net	<u>\$ 6,548,593</u>	<u>588,438</u>	<u>(417,930)</u>	<u>6,719,101</u>

(10) Commitments and Contingencies

(a) Litigation

In the normal course of operations, the Agency is a defendant in a lawsuit; however, Agency officials are of the opinion, based on the advice of general counsel, that the ultimate outcome of this litigation will not have a material adverse effect on the future operations or financial position of the Agency.

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June 30, 2012

(b) Leases

The Agency leases various office equipment, as well as office space and computer equipment for 12-month terms, with options to renew each year. For the year ended June 30, 2012, total rent expense for these items was approximately \$226,000 for office space and \$42,000 for office equipment and other rents.

(11) Risk Management

The Agency participates in the Oklahoma Risk Management Division's (a division of the Department of Central Services) insurance pool, which covers all governmental tort, property, vehicle, and directors and officers liability claims against the Agency. The Agency pays a yearly premium to the Department of Central Services to participate in the insurance pool. Premiums paid are not subject to retroactive adjustment.

SUPPLEMENTAL INFORMATION

COMMISSIONERS OF THE LAND OFFICE
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Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
General Fund – (Non-GAAP Budgetary Basis)

Year ended June 30, 2012

(unaudited)

	Budgeted amounts		Actual	Variance favorable (unfavorable)
	Original	Final		
Revenues:				
Fees	\$ —	—	16,266,980	16,266,980
Other interest	—	—	459,606	459,606
Total revenues	<u>—</u>	<u>—</u>	<u>16,726,586</u>	<u>16,726,586</u>
Expenditures:				
Administrative division	1,137,685	1,447,685	1,016,590	431,095
Legal division	753,976	903,976	469,929	434,047
Data processing division	724,734	1,584,734	666,898	917,836
Real estate division	1,929,401	3,069,901	1,545,632	1,524,269
Accounting/Investments division	1,217,940	1,499,725	908,138	591,587
Minerals division	752,686	784,176	631,477	152,699
Audit division	592,578	592,578	434,502	158,076
Total expenditures	<u>7,109,000</u>	<u>9,882,775</u>	<u>5,673,166</u>	<u>4,209,609</u>
Net change in fund balance	(7,109,000)	(9,882,775)	11,053,420	20,936,195
Fund balance at beginning of year		<u>15,128,136</u>	<u>15,128,136</u>	<u>—</u>
Fund balance at end of year		<u>\$ 5,245,361</u>	<u>26,181,556</u>	<u>20,936,195</u>
Reconciliation to GAAP basis:				
Accrual adjustments			<u>(117,424)</u>	
Fund balance			<u>\$ 26,064,132</u>	

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Combining Balance Sheet – General Fund

June 30, 2012

Assets	Revolving 16	CLO	Combined total
Cash and cash equivalents	\$ 2,486,528	24,695,521	27,182,049
Other receivables	16,812	—	16,812
Total assets	\$ 2,503,340	24,695,521	27,198,861
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,134,729	—	1,134,729
Equity:			
Fund balances – unreserved	1,368,611	24,695,521	26,064,132
Total liabilities and equity	\$ 2,503,340	24,695,521	27,198,861

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Schedule of Distributions to University and College Beneficiaries
Year ended June 30, 2012

University of Oklahoma	\$ 11,856,559
Oklahoma State University	10,740,705
Northern Oklahoma College	2,890,361
Langston University	1,951,540
Southeastern Oklahoma State University	1,225,031
University of Central Oklahoma	1,225,031
East Central Oklahoma State University	1,225,031
Northeastern Oklahoma State University	1,225,031
Northwestern Oklahoma State University	1,225,031
Southwestern Oklahoma State University	1,225,031
Cameron University	1,225,031
Oklahoma Panhandle State University	1,225,031
University of Science and Arts	1,225,031
	<hr/>
	\$ 38,464,444
	<hr/> <hr/>

**COMMISSIONERS OF THE LAND OFFICE
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Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

School district:	
ACHILLE	\$ 59,107.64
ADA	416,160.87
ADAIR	159,117.07
AFTON	71,983.27
AGRA	66,192.46
ALBION	17,289.54
ALEX	51,265.61
ALINE-CLEO	24,750.51
ALLEN	68,797.08
ALLEN-BOWDEN	56,223.00
ALTUS	604,293.26
ALVA	140,919.54
AMBER-POCASSET	73,146.41
ANADARKO	293,530.01
ANDERSON	46,198.86
ANTLERS	157,877.72
ARAPAHO	55,252.06
ARDMORE	472,892.53
ARKOMA	56,423.47
ARNETT	27,741.20
ASHER	39,703.89
ATOKA	139,980.08
AVANT	13,337.91
BALKO	24,533.45
BANNER	30,824.63
BARNSDALL	69,721.63
BARTLESVILLE	930,359.49
BATTIEST	40,588.65
BEARDEN	17,417.14
BEAVER	59,265.04
BEGGS	194,030.90
BELFONTE	34,150.00
BENNINGTON	41,707.06
BERRYHILL	190,314.49
BETHANY	257,963.38
BETHEL	211,537.53
BIG PASTURE	35,261.78
BILLINGS	15,034.55
BINGER-ONEY	52,942.37
BISHOP	77,397.95
BIXBY	783,683.95
BLACKWELL	231,708.40
BLAIR	49,035.43
BLANCHARD	271,508.37
BLUEJACKET	33,278.48
BOISE CITY	46,018.26

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Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

BOKOSHE	\$ 32,975.28
BOONE-APACHE	92,382.82
BOSWELL	57,767.21
BOWLEGS	48,631.16
BOWRING	11,210.48
BOYTON-MOTON	—
BRAGGS	32,130.25
BRAMAN	10,603.25
BRAY-DOYLE	63,506.66
BRIDGE CREEK	218,865.92
BRIGGS	80,680.23
BRISTOW	262,597.67
BROKEN ARROW	2,616,964.91
BROKEN BOW	269,786.89
BRUSHY	48,195.39
BUFFALO	44,202.31
BUFFALO VALLEY	28,551.40
BURLINGTON	25,670.08
BURNS FLAT-DILL CITY	101,868.47
BUTNER	30,402.15
BYARS	8,103.81
BYNG	274,736.00
CACHE	268,333.80
CADDO	78,967.05
CALERA	99,063.36
CALUMET	44,437.59
CALVIN	27,920.12
CAMERON	55,305.06
CANADIAN	71,050.45
CANEY	38,703.13
CANEY VALLEY	120,856.33
CANTON	61,165.46
CANUTE	67,165.05
CARNEGIE	96,022.98
CARNEY	32,224.70
CASHION	82,504.48
CATOOSA	334,662.13
CAVE SPRINGS	23,744.79
CEMENT	40,189.34
CENTRAL	82,353.71
CENTRAL HIGH	65,117.14
CHANDLER	179,019.55
CHATTANOOGA	43,105.47
CHECOTAH	238,382.33
CHELSEA	152,441.49
CHEROKEE	45,789.61
CHEYENNE	48,954.24
CHICKASHA	376,939.14
CHISHOLM	145,929.93

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Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

CHOCTAW/NICOMA PARK	\$ 795,862.03
CHOUTEAU-MAZIE	139,708.35
CIMARRON	44,788.86
CLAREMORE	630,243.37
CLAYTON	45,594.11
CLEORA	18,621.68
CLEVELAND	276,030.01
CLINTON	330,846.33
COALGATE	115,652.07
COLBERT	138,019.98
COLCORD	93,478.00
COLEMAN	31,711.07
COLLINSVILLE	420,604.63
COMANCHE	173,112.76
COMMERCE	132,810.73
COPAN	44,015.07
CORDELL	119,249.16
COTTONWOOD	38,694.84
COVINGTON-DOUGLAS	45,892.34
COWETA	503,995.53
COYLE	52,738.57
CRESCENT	94,995.71
CROOKED OAK	166,332.78
CROWDER	75,026.98
CRUTCHO	51,245.73
CUSHING	276,795.51
CYRIL	54,733.46
DAHLONEGAH	21,811.18
DALE	106,459.69
DARLINGTON	36,310.58
DAVENPORT	56,628.94
DAVIDSON	17,678.94
DAVIS	161,426.75
DEER CREEK	596,600.37
DEER CREEK-LAMONT	29,219.12
DENISON	49,013.90
DEPEW	57,352.99
DEWAR	68,490.54
DEWEY	189,083.44
DIBBLE	107,034.63
DICKSON	210,230.23
DOVER	34,787.92
DRUMMOND	51,971.42
DRUMRIGHT	97,828.96
DUKE	29,320.19
DUNCAN	597,379.08
DURANT	533,464.85
DUSTIN	13,344.55
EAGLETOWN	35,533.50

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Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

EARLSBORO	\$ 38,615.31
EDMOND	3,348,597.92
EL RENO	383,674.38
ELDORADO	20,782.28
ELGIN	290,885.62
ELK CITY	354,629.22
ELMORE CITY	79,507.16
EMPIRE	77,868.52
ENID	1,081,019.82
ERICK	37,511.83
EUFAULA	203,874.45
FAIRLAND	92,517.03
FAIRVIEW	99,514.03
FANSHAWE	9,644.72
FARGO	35,811.85
FARRIS	16,252.35
FELT	12,852.44
FLETCHER	73,424.75
FLOWER MOUND	53,306.88
FOREST GROVE	24,364.44
FORGAN	28,437.08
FORT COBB-BROXTON	54,947.20
FORT SUPPLY	20,258.72
FOX	46,926.24
FOYIL	99,863.63
FREDERICK	132,330.25
FREEDOM	11,028.20
FRIEND	29,987.92
FRINK-CHAMBERS	65,604.28
FRONTIER	52,213.34
FT GIBSON	286,880.94
FT TOWSON	68,432.56
GAGE	17,395.62
GANS	67,796.32
GARBER	53,202.49
GEARY	63,113.98
GERONIMO	56,786.33
GLENCOE	50,824.87
GLENPOOL	372,190.52
GLOVER	13,105.93
GOODWELL	32,660.47
GORE	86,043.58
GRACEMONT	25,509.38
GRAHAM	35,722.38
GRAND VIEW	65,586.05
GRANDFIELD	41,266.31
GRANDVIEW	25,860.63
GRANITE	38,343.59
GRANT	40,088.27

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Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

GREASY	\$	10,052.31
GREENVILLE		17,057.61
GROVE		457,012.96
GUTHRIE		510,137.60
GUYMON		449,275.32
GYPSY		19,798.09
HAILEYVILLE		65,050.86
HAMMON		38,563.94
HANNA		62,729.58
HARDESTY		13,110.90
HARMONY		35,778.72
HARRAH		347,383.67
HARTSHORNE		129,995.68
HASKELL		139,164.89
HAWORTH		90,414.43
HAYWOOD		18,687.97
HEALDTON		80,754.81
HEAVENER		173,619.77
HENNESSEY		124,595.93
HENRYETTA		201,387.47
HILLDALE		280,569.89
HINTON		111,557.91
HOBART		128,207.91
HODGEN		44,570.14
HOLDENVILLE		168,796.57
HOLLIS		84,199.45
HOLLY CREEK		32,130.25
HOMINY		98,895.99
HOOKER		91,062.27
HOWE		78,953.79
HUGO		185,092.01
HULBERT		94,901.28
HYDRO-EAKLY		76,120.52
IDABEL		204,189.25
INDIAHOMA		31,833.69
INDIANOLA		40,310.31
INOLA		209,330.55
JAY		267,064.62
JENKS		1,583,908.54
JENNINGS		30,027.68
JONES		182,185.85
JUSTICE		28,336.01
JUSTUS-TIAWAH		89,367.27
KANSAS		148,855.98
KELLYVILLE		182,790.61
KENWOOD		12,867.37
KEOTA		64,929.91
KETCHUM		97,923.40
KEYES		12,522.70

**COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA**

(An Agency of the State of Oklahoma)

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

KEYS	\$ 138,164.13
KEYSTONE	60,070.27
KIEFER	81,972.60
KILDARE	9,035.61
KINGFISHER	204,348.31
KINGSTON	173,633.02
KINTA	34,373.69
KIOWA	45,217.99
KONAWA	105,304.84
KREBS	58,713.29
KREMLIN-HILLSDALE	48,014.80
LANE	31,500.64
LATTA	114,457.45
LAVERNE	73,825.72
LAWTON	2,510,528.46
LE FLORE	33,573.42
LEACH	25,164.74
LEEDEY	32,852.67
LEXINGTON	166,950.82
LIBERTY	142,457.09
LINDSAY	181,304.38
LITTLE AXE	190,804.95
LOCUST GROVE	243,258.55
LOMEGA	35,079.50
LONE GROVE	242,690.21
LONE STAR	139,133.42
LONE WOLF	15,143.90
LOOKEBA SICKLES	39,773.46
LOWREY	23,703.35
LUKFATA	50,988.89
LUTHER	137,191.54
MACOMB	58,804.42
MADILL	280,109.25
MANGUM	108,071.84
MANNFORD	236,412.27
MANNSVILLE	15,791.74
MAPLE	24,811.81
MARBLE CITY	21,836.06
MARIETTA	153,356.08
MARLOW	209,037.29
MARYETTA	102,582.56
MASON	35,177.28
MAUD	45,413.50
MAYSVILLE	63,407.25
MC ALESTER	459,374.03
MC CORD	38,128.19
MC CURTAIN	37,733.83
MC LOUD	275,123.70
MEDFORD	46,314.84

**COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA**

(An Agency of the State of Oklahoma)

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

MEEKER	\$ 138,182.34
MERRITT	85,915.99
MIAMI	402,591.01
MIDDLEBERG	31,459.22
MIDWAY	35,808.55
MILBURN	30,060.82
MILFAY	10,019.17
MILL CREEK	23,254.36
MILLWOOD	165,559.04
MINCO	88,157.75
MOFFETT	58,151.59
MONROE	21,319.10
MOORE	3,485,532.63
MOORELAND	84,862.21
MORRIS	157,403.85
MORRISON	87,985.45
MOSELEY	45,715.05
MOSS	43,937.20
MOUNDS	104,053.88
MOUNTAIN VIEW-GOTEBO	36,784.45
MOYERS	27,156.32
MULDROW	267,487.13
MULHALL-ORLANDO	37,902.85
MUSKOGEE	989,892.93
MUSTANG	1,367,206.53
MWC/DEL CITY	2,272,679.63
N ROCK CREEK	87,428.71
NASHOBA	7,954.69
NAVAJO	77,593.48
NEW LIMA	43,720.16
NEWCASTLE	267,256.83
NEWKIRK	120,196.88
NINNEKAH	81,682.65
NOBLE	447,936.57
NORMAN	2,285,437.64
NORWOOD	28,667.38
NOWATA	159,559.44
OAK GROVE	29,301.96
OAKDALE	89,516.42
OAKS MISSION	42,225.64
OILTON	44,969.46
OKARCHE	46,720.79
OKAY	70,190.52
OKEENE	51,792.48
OKEMAH	147,460.90
OKLAHOMA CITY	6,604,029.33
OKLAHOMA UNION	108,481.08
OKMULGEE	257,186.27
OKTAHA	114,783.87

**COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA**

(An Agency of the State of Oklahoma)

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

OLIVE	\$ 60,845.71
OLUSTEE	25,994.83
OOLOGAH-TALALA	286,095.59
OPTIMA	12,867.37
OSAGE	36,007.37
OSAGE HILLS	28,357.57
OWASSO	1,441,366.95
PADEN	39,934.19
PANAMA	109,130.58
PANOLA	39,210.13
PAOLI	40,674.81
PAULS VALLEY	202,416.38
PAWHUSKA	139,612.25
PAWNEE	117,222.80
PEAVINE	27,330.50
PECKHAM	13,747.26
PEGGS	39,246.57
PERKINS-TRYON	224,961.58
PERRY	184,459.09
PICKETT-CENTER	—
PIEDMONT	433,301.32
PIONEER	57,745.68
PIONEER-PLEASANT	91,546.08
PITTSBURG	43,049.12
PLAINVIEW	227,415.42
PLEASANT GROVE	33,271.85
PLEASANT GROVE ELEMENTARY	—
POCOLA	131,253.27
PONCA CITY	785,907.49
POND CREEK-HUNTER	45,189.82
PORTER CONSOLIDATED	88,280.37
PORUM	80,385.32
POTEAU	361,352.85
PRAGUE	171,730.94
PRESTON	96,548.22
PRETTY WATER	39,510.03
PRUE	46,848.34
PRYOR	399,111.55
PURCELL	229,221.42
PUTNAM CITY	2,925,615.67
QUAPAW	101,300.17
QUINTON	87,054.25
RATTAN	79,835.24
RAVIA	13,475.43
RED OAK	38,118.25
REYDON	21,410.24
RINGLING	70,092.75
RINGWOOD	60,782.74
RIPLEY	77,132.87

**COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA**

(An Agency of the State of Oklahoma)

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

RIVERSIDE	\$	26,203.61
ROBIN HILL		34,377.00
ROCK CREEK		74,258.15
ROCKY MOUNTAIN		30,697.06
ROFF		52,788.29
ROLAND		183,256.19
RUSH SPRINGS		93,009.12
RYAL		14,222.69
RYAN		39,341.01
S COFFEYVILLE		45,373.73
S ROCK CREEK		59,545.05
SALINA		137,257.83
SALLISAW		328,264.91
SAND SPRINGS		793,085.11
SAPULPA		631,418.07
SASAKWA		38,119.91
SAVANNA		63,369.11
SAYRE		108,355.16
SCHULTER		28,046.04
SEILING		65,615.87
SEMINOLE		278,967.66
SENTINEL		51,310.33
SEQUOYAH		214,070.90
SHADY GROVE		23,814.37
SHADY POINT		16,618.55
SHARON-MUTUAL		46,205.47
SHATTUCK		51,840.54
SHAWNEE		609,671.51
SHIDLER		43,004.40
SILO		119,560.65
SKELLY		9,470.76
SKIATOOK		398,167.11
SMITHVILLE		49,187.86
SNYDER		83,021.42
SOPER		56,574.25
SPAVINAW		18,275.40
SPERRY		191,722.87
SPIRO		186,222.00
SPRINGER		37,750.41
STERLING		65,779.89
STIDHAM		30,978.74
STIGLER		210,816.78
STILLWATER		894,506.19
STILWELL		204,171.02
STONEWALL		68,420.97
STRAIGHT		7,699.53
STRATFORD		97,762.70
STRINGTOWN		33,739.09
STROTHER		60,154.78

**COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA**

(An Agency of the State of Oklahoma)

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

STROUD	\$	135,262.92
STUART		39,760.19
SULPHUR		218,763.18
SWEETWATER		13,256.70
SWINK		13,410.82
TAHLEQUAH		554,807.16
TALIHINA		100,619.15
TALOGA		16,172.84
TANNEHILL		30,822.98
TECUMSEH		342,716.22
TEMPLE		36,878.88
TENKILLER		49,887.07
TERRAL		12,083.64
TEXHOMA		44,243.73
THACKERVILLE		47,328.85
THOMAS-FAY-CUSTER UNIFIED		73,118.23
TIMBERLAKE		38,365.12
TIPTON		57,924.62
TISHOMINGO		139,877.33
TONKAWA		117,751.31
TULSA		6,395,409.89
TUPELO		41,499.94
TURKEY FORD		16,172.84
TURNER		50,841.44
TURPIN		62,660.00
TUSHKA		75,303.66
TUSKAHOMA		15,344.40
TUTTLE		271,975.64
TWIN HILLS		55,858.48
TYRONE		39,616.08
UNION		2,331,532.09
UNION CITY		47,704.97
VALLIANT		151,767.14
VANOSS		97,250.72
VARNUM		40,982.98
VELMA-ALMA		68,793.76
VERDEN		42,871.84
VERDIGRIS		198,875.62
VIAN		160,377.95
VICI		47,265.88
VINITA		262,364.06
WAGONER		385,727.25
WAINWRIGHT		21,342.31
WAKITA		—
WALTERS		111,307.72
WANETTE		35,841.70
WAPANUCKA		37,843.19
WARNER		114,121.12
WASHINGTON		149,754.02

**COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA**

(An Agency of the State of Oklahoma)

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2012

School district:	
WATONGA	\$ 116,752.23
WATTS	61,185.35
WAUKOMIS	54,194.97
WAURIKA	64,012.00
WAYNE	81,972.60
WAYNOKA	35,220.35
WEATHERFORD	294,901.91
WEBBERS FALLS	44,063.12
WELCH	59,386.00
WELEETKA	69,212.95
WELLSTON	102,173.32
WESTERN HGTS	556,114.45
WESTVILLE	182,610.01
WETUMKA	74,960.68
WEWOKA	109,251.52
WHITE OAK	155,354.29
WHITE ROCK	21,582.54
WHITEBEAD	64,490.83
WHITEFIELD	21,756.52
WHITESBORO	28,829.76
WICKLIFFE	21,769.77
WILBURTON	159,685.39
WILSON	114,979.37
WISTER	88,954.71
WOODALL	80,951.96
WOODLAND	69,244.44
WOODWARD	418,213.73
WRIGHT CITY	69,193.08
WYANDOTTE	125,697.74
WYNNEWOOD	104,708.36
WYNONA	38,366.75
YALE	78,223.08
YARBROUGH	19,292.75
YUKON	1,149,861.66
ZANEIS	48,427.37
ZION	54,430.24
	<hr/>
	\$ 102,144,987.00
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KPMG LLP
210 Park Avenue, Suite 2850
Oklahoma City, OK 73102-5683

**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***

Commissioners of the Land Office
State of Oklahoma:

We have audited the financial statements of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the Commissioners of the Land Office's basic financial statements and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Commissioners of the Land Office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Commissioners of the Land Office, State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners of the Land Office, State of Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commissioners of the Land Office, State of Oklahoma's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commissioners of the Land Office, State of Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations 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*.

This report is intended solely for the information and use of management, the Commissioners, others within the entity, and beneficiaries of the Commissioners of the Land Office, State of Oklahoma, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 26, 2012