Commissioners of the Land Office State of Oklahoma

Audited Financial Report and Report Required by
Government Auditing Standards
June 30, 2016

Contents

RSM US LLP

Independent Auditor's Report

To the Commissioners of the Land Office,
State of Oklahoma
Oklahoma City, Oklahoma

Report on the Financial Statements
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 (the Agency), as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1 of financial statements, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the State of Oklahoma, as of June 30, 2016 or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Agency's proportionate share of the net pension liability, and the schedule of the Agency's contributions 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 as a whole. The budgetary comparison information, combining balance sheet, and schedules of distributions listed as other supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued a report for the year ended June 30, 2016 dated November 2, 2016, on our consideration of the Agency's internal control over financial reporting and 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* in considering the Agency's internal control over financial reporting and compliance.

RSM US LLP

Oklahoma City, Oklahoma
November 2, 2016

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, 2016. It should be read in conjunction with the financial statements, which begin, on page 9.

Financial Highlights

- Net position is down approximately $54.9 million. The decrease was primarily due to the net decrease in fair value of investments. Of the $56.2 million in mineral revenue, royalties of $29.6 million were added to the permanent fund and $26.0 million in lease bonuses and delay rentals were apportioned.

- Interest from investments was down $1.0 million, from $55.4 million in fiscal year 2015 to $54.4 million in fiscal year 2016.

- Actual cash distributions to beneficiaries were up $8.9 million, from $132.9 million in fiscal year 2015 to $141.8 million in fiscal year 2016, primarily due to the increase in apportionment to public buildings of approximately $3.5 million by H.B. 2242 and approximately $3.4 million paid to universities and colleges that represented apportionment for fiscal year 2015 that was held back and paid in fiscal year 2016. Of the $141.8 million in cash distributions during fiscal year 2016, $32.2 million were to universities and colleges, $102.2 million were to public schools, and $7.4 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 position presents information on all of the Agency's assets, deferred outflows, liabilities and deferred inflows and the difference between them (net position). Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 9 and 10 of this report.

Overview of the Financial Statements (Continued)

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 other supplementary information for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 11 and 12 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 13 through 29 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $2.26 billion at the close of the most recent fiscal year.

The largest portion of the Agency's net position (99 percent) is subject to external restrictions on how they may be used. The Agency uses these assets to provide apportionments to beneficiaries.

Net Position

	2016	2015
	(In thousands)	
Assets		
Current assets	$ 165,842	$ 2,364,535
Investments	2,134,159	-
Capital assets, net	7,595	7,692
Total assets	$ 2,307,596	$ 2,372,227
Deferred outflows of resources	$ 598	$ 563
Liabilities		
Current liabilities	$ 48,239	$ 57,406
Noncurrent liabilities	1,123	755
Total liabilities	$ 49,362	$ 58,161
Deferred inflows of resources	$ 399	$ 1,297
Net position		
Investment in capital assets	$ 7,595	$ 7,692
Restricted	2,229,047	2,279,963
Unrestricted	21,790	25,677
Total net position	$ 2,258,433	$ 2,313,332

Government-Wide Financial Analysis (Continued)

There was a decrease of $54.9 million in net position. The key elements of the decrease are as follows:

Changes in Net Position

	2016	2015
	(In thousands)	
Expenses		
Apportionments	$ 132,317	$ 156,589
Custodial fees	7,459	8,453
Administrative	7,461	6,463
Other	3,207	2,378
Total expenses	150,444	173,883
Revenues		
Program revenue:		
Investment earnings	15,142	13,435
Mineral revenue	56,165	91,908
Rents	18,921	16,032
Other	5,317	7,882
Total revenues	95,545	129,257
Change in net position	(54,899)	(44,626)
Net position, beginning of year	2,313,332	2,359,563
Restatement—implementation of GASB 68 and 71	-	(1,605)
Net position, beginning of year, as restated	2,313,332	2,357,958
Net position, end of year	$ 2,258,433	$ 2,313,332

Apportionments decreased from $156.6 million during fiscal year 2015 to $132.3 million during fiscal year 2016. The decrease was primarily due to a significant decrease in transfers to the stabilization fund from the prior year. Actual cash distributions to beneficiaries were up $8.9 million, from $132.9 million in fiscal year 2015 to $141.8 million in fiscal year 2016.

Investment earnings increased from $13.4 million in fiscal year 2015 to $15.1 million in fiscal year 2016. Most of the increase was due to increased stock dividends compared to the prior year.

Mineral income decreased from $91.9 million in fiscal year 2015 to $56.2 million in fiscal year 2016. The decrease was due to a decline of royalty payments during the fiscal year.

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.

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 $2.25 billion, a decrease of $55.4 million in comparison with the prior year. Approximately $2.23 billion is restricted and nonexpendable to indicate that it is not available for general purposes because it has already been committed to beneficiaries. Approximately $8.6 million is assigned for operating expenditures. 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, 2016, the unassigned fund balance was $14.0 million, or 165 percent of budgeted general fund expenditures, and the assigned fund balance was $8.6 million, or 101 percent of budgeted general fund expenditures. The unassigned fund balance of the general fund decreased by $4.5 million from June 30, 2015 due to operating expenses exceeding revenues for the fund by approximately $7.6 million partially offset by net transfers from the permanent fund of approximately $3.1 million.

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 $94.7 million compared to $128.1 million of prior year. Cash apportionments distributed to beneficiaries during 2016 totaled $141.8 million with $32.2 million disbursed to universities and colleges, $102.2 million disbursed to public schools, and $7.4 million to public buildings. This was an increase of $8.9 million from the cash apportionments distributed during fiscal year 2015.

General Fund Budgetary Highlights

For fiscal year 2016, general fund actual expenditures (including transfers) on a budgetary basis were $14.5 million compared to the budget of $8.5 million. The $6.0 million variance was due to an unbudgeted transfer to the permanent fund of approximately $7.0 million for investment manager fees net of a $1.0 million favorable operating expenses variance.
Investment in Land and Mineral Rights

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 percent of the land being located in the Oklahoma Panhandle. Management estimates the market value of the land at June 30, 2016 is approximately $773,000,000 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 1,206,000 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.

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.

Requests for Information

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 204 N. Robinson, Suite 900, Oklahoma City, Oklahoma 73102.

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Statement of Net Position
June 30, 2016

Assets		
Cash and cash equivalents	$	146,540,320
Investments		2,104,180,059
Property held for investment		29,978,617
Accrued interest receivable		11,694,094
Other receivables		7,607,531
Capital assets:		
Land		5,598,703
Other capital assets, net of depreciation		1,996,357
Total assets	$	2,307,595,681
Deferred outflows of resources:		
Deferred pension plan outflows	$	598,351
Liabilities		
Accounts payable and accrued expenses	$	41,297,732
Unearned revenue		6,941,793
Net pension liability		683,504
Accrued compensated absences		439,186
Total liabilities	$	49,362,215
Deferred inflows of resources:		
Deferred pension plan inflows	$	399,143
Net Position		
Investment in capital assets	$	7,595,060
Restricted for education:		
Nonexpendable		2,223,965,823
Expendable		5,081,458
Unrestricted		21,790,333
Total net position	$	2,258,432,674

See notes to basic financial statements.

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Statement of Activities
June 30, 2016

Expenses:	
Education:	
Apportionments to beneficiaries:	
Universities and colleges	$ 31,604,166
Public schools	95,365,684
Public buildings	5,347,603
Total apportionments	132,317,453
Custodial fees	7,459,114
Administrative expenses	7,460,865
Commercial real estate expense	1,664,517
Other expenses	1,017,297
Depreciation	524,739
Total program expenses	150,443,985
Program revenues:	
Investment earnings:	
Interest	54,377,128
Dividends	36,681,159
Net decrease in fair value of investments	(75,916,249)
Net investment gain	15,142,038
Mineral revenue	56,165,000
Rents	15,621,609
Commercial real estate rent	3,299,956
Gain on sale	87,992
Miscellaneous	2,924,479
Fees	363,777
Other interest	1,940,335
Total program revenues	95,545,186
Change in net position	(54,898,799)
Net position, beginning of year	2,313,331,473
Net position, ending of year	$ 2,258,432,674

See notes to basic financial statements.

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Balance Sheet—Government Funds
June 30, 2016

	General	Permanent	Total
Assets			
Cash and cash equivalents	$ 30,579,457	$ 115,960,863	$ 146,540,320
Investments	-	2,104,180,059	2,104,180,059
Property held for investment	-	29,978,617	29,978,617
Accrued interest receivable	-	11,694,094	11,694,094
Other receivables	47,360	7,560,171	7,607,531
Due from general fund	-	7,533,871	7,533,871
Total assets	$ 30,626,817	$ 2,276,907,675	$ 2,307,534,492
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued expenses	$ 379,131	$ 40,918,601	$ 41,297,732
Unearned revenue	-	6,941,793	6,941,793
Due to permanent fund	7,533,871	-	7,533,871
Total liabilities	7,913,002	47,860,394	55,773,396
Fund balance:			
Nonspendable, permanent fund corpus	-	2,223,965,823	2,223,965,823
Restricted for education	-	5,081,458	5,081,458
Assigned	8,617,230	-	8,617,230
Unassigned	14,096,585	-	14,096,585
Total fund balance	22,713,815	2,229,047,281	2,251,761,096
Total liabilities and fund balance	$ 30,626,817	$ 2,276,907,675	
Capital assets not considered financial resources and not included in funds			7,595,060
Compensated absences not due and payable in the current period			(439,186)
Net pension liability not due and payable in the current period			(683,504)
Deferred pension inflows			(399,143)
Deferred pension outflows			598,351
Net position of governmental activities			$ 2,258,432,674

See notes to basic financial statements.

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	Permanent	Total
Revenues:			
Investment revenues:			
Interest	$ -	$ 54,377,128	$ 54,377,128
Dividends	-	36,681,159	36,681,159
Net decrease in fair value of investments	-	(75,916,249)	(75,916,249)
Net investment revenue	-	15,142,038	15,142,038
Fees	363,777	-	363,777
Other interest	525,456	1,414,879	1,940,335
Mineral revenue	-	56,165,000	56,165,000
Rents	-	18,921,565	18,921,565
Gain on sale of investment properties	-	87,992	87,992
Miscellaneous revenue	2,741	2,921,738	2,924,479
Total revenues	891,974	94,653,212	95,545,186
Expenditures:			
Administrative expenses	8,053,937	-	8,053,937
Capital outlay	487,234	-	487,234
Other	-	2,594,772	2,594,772
Custodial fees	-	7,459,114	7,459,114
Apportionments to beneficiaries:			
Universities and colleges	-	31,604,166	31,604,166
Public schools	-	95,365,684	95,365,684
Public buildings	-	5,347,603	5,347,603
Total expenditures	8,541,171	142,371,339	150,912,510
Deficiency of revenues over expenditures	(7,649,197)	(47,718,127)	(55,367,324)
Other financing sources (uses):			
Transfers in	10,692,160	7,495,025	18,187,185
Transfers out	(7,495,025)	(10,692,160)	(18,187,185)
Total other financing sources (uses)	3,197,135	(3,197,135)	-
Net change in fund balances	(4,452,062)	(50,915,262)	(55,367,324)
Fund balances, beginning of year	27,165,877	2,279,962,543	2,307,128,420
Fund balances, end of year	$ 22,713,815	$ 2,229,047,281	2,251,761,096
Net change to fund balances			(55,367,324)
Fixed assets purchased			487,436
Increase in liability for compensated absences			(37,384)
Current year depreciation expense			(524,739)
Disposal of capital assets			(59,671)
Pension expense			15,166
Current year pension contributions			587,717
Change in net position of governmental activities			$ (54,898,799)

See notes to basic financial statements.

Note 1. Summary of Significant Accounting Policies

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

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 Agency to implement a multiyear education distribution stabilization fund based on a five-year rolling average. This new legislation helps provide consistent distributions for the 517 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.

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). In accordance with those principles, the Agency presents government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and accrual basis of accounting requiring that certain capital 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 comprehensive annual financial report of the State of Oklahoma.

Note 1. Summary of Significant Accounting Policies (Continued)

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 assets able to be depleted that are considered a return of principal as a result of production.

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 ninety-day period is used for revenue recognition for all governmental fund type revenues. Those revenues susceptible to accrual are interest revenue, mineral revenue 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.

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

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 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.

Deferred inflows of resources: Deferred inflows of resources are the acquisition of net position by the Agency that are applicable to a future reporting period. At June 30, 2016, the Agency had deferred inflows related to pensions of $399,143. See Note 7 for additional discussion regarding deferred inflows of resources.

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources: Deferred outflows of resources are the consumption of net position by the Agency that are applicable to a future reporting period. At June 30, 2016, the Agency had deferred outflows of resources related to pensions of $598,351. See Note 7 for additional discussion regarding deferred outflows of resources.

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

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, 2016. This land is held in trust and is stated at $1 per acre in the financial statements at June 30, 2016. The $1 per acre was set as a nominal amount for recordkeeping purposes.

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, 2016, repossessed land is carried at approximately $4,906,000.

Land is considered capital assets and is reported at cost.

Depreciable capital assets: Capital assets, which include commercial real estate, 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 acquisition 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

Unearned revenue: Unearned revenue represents lease billings not yet earned for which cash was received prior to year-end. This unearned revenue is recognized when earned in the following year.

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.

Investments: The Agency is allowed by state statutes to invest in equities, fixed income investments, pooled equity funds, commercial real estate and cash equivalents. Each type of investment has a minimum, maximum and target percentage that has been established by the Agency's investment committee. Equities, fixed income investments, and commercial real estate are stated at fair value and pooled equity funds are stated at the net asset value (NAV) of the pool. See Note 2.

Note 1. Summary of Significant Accounting Policies (Continued)

Property held for investment: Property held for investment is recorded at fair value. The Agency determines fair value of each of its real properties by obtaining an appraisal by a certified real estate appraiser every three calendar years or more frequently if an event occurs that could indicate a significant change in the value of the building or the overall real estate market. For periods in which an appraisal is not obtained, the Agency evaluates the extent to which changes in the use of the real properties or the overall real estate market may have affected the fair value of the properties since the last appraisal.

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, 2016, unpaid and accumulated benefits totaled $439,186. The activity for the year is as follows:

Beginning balance	$	401,802
Leave earned		297,979
Leave used		(260,595)
End balance	$	439,186

New accounting pronouncements adopted in fiscal year 2016: The Agency adopted the following new accounting pronouncements during the year ended June 30, 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as 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. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The adoption of this pronouncement expanded investment disclosures in Note 2 to include additional information about fair value and did not have an effect on the Agency's financial position.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76) identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The adoption of this pronouncement did not have an effect on the Agency's financial position or related disclosures.

Note 1. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements issued not yet adopted: The GASB has issued several new accounting pronouncements which will be effective to the Agency in fiscal year ended June 30, 2017. A description of the new accounting pronouncements is provided below:

- GASB Statement No. 82, *Pension Issues*, issued April 2016, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management is currently evaluating the impact that this new standard will have on its financial statements.

Note 2. Deposits, Investments and Related Policies

Cash and cash equivalents: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized.

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. At June 30, 2016, the carrying amount of the Agency's deposits was $102,275,196 and the bank balance was $102,739,810 of which deposits with a carrying amount of $101,927,372 and a bank balance of $102,238,070 were deposited at the Office of the State Treasurer. The cash that is deposited with the OST is fully insured or collateralized by the State Treasurer. Of funds on deposit with the State Treasurer at June 30, 2016, funds with a bank balance of $102,353,194 were invested in the State Treasurer's internal investment pool OK INVEST. For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents.

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day OK INVEST management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the investment policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at http:// www.ok.gov/treasurer. 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 three years. OK INVEST maintains an overall weighted average maturity of less than 270 days.

Note 2. Deposits, Investments and Related Policies (Continued)

Participants in OK INVEST maintain 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. 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.

The Agency's remaining deposits at June 30, 2016 with a carrying amount of $347,824 and a bank balance of $506,623 were held with a separate financial institution. Of the $506,623, $256,623 was exposed to custodial credit risk at June 30, 2016 because it was uninsured and not collateralized with securities held by the financial institution in the Agency's name.

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. The carrying amount and balance of the cash equivalents totaled $44,265,124 at June 30, 2016 and consists of an investment in a mutual fund composed of short-term investments with an original maturity date of three months or less, which are readily convertible into cash.

Investments: Investments are reported at fair value. Changes in fair value are recognized daily by the investment managers. 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.

Note 2. Deposits, Investments and Related Policies (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. 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. At June 30, 2016, the Agency does not have any securities that are not registered in the name of the Trust.

Substantially all investments are held by Bank of Oklahoma Trust Department. At June 30, 2016, the Agency had the following investments:

Investments:		
Stocks:		
Common stocks	$	818,762,740
Pooled equity funds		110,379,695
Fixed income securities:		
Government		313,807,925
Corporate bonds—domestic		620,833,167
Corporate bonds—foreign		138,440,747
Preferred stocks:		
Preferred stock—nonconvertible		100,118,149
Preferred stock—convertible		1,837,636
Total	$	2,104,180,059

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 Aaa—Baa3 rating categories. 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.

Note 2. Deposits, Investments and Related Policies (Continued)

Fixed income investments and nonconvertible preferred stock by investment rating at June 30, 2016 consisted of the following:

Investment Name	Fair Value	Moody Rating
U.S. government sponsored:	(In Thousands)	
U.S. Treasury bond	$ 3,300	AAA
U.S. Treasury note	39,612	AAA
Federal Home Loan Mortgage Corp.	20,697	AA+
Federal Home Loan Mortgage Corp.	25,000	AAA
Federal National Mortgage Corp.	99,727	AA+
Federal National Mortgage Corp.	41,838	AAA
Government National Mortgage Association	15,769	AA+
Government National Mortgage Association	79	AAA
US Treasury strip	1,097	NA
Other	49,795	AA+
Other	7,859	AAA
	304,773	
Municipal obligations:		
Municipal bonds	1,147	A3
Municipal bonds	3,964	AA3
Municipal bonds	3,924	BAA2
	9,035	
Corporate bonds (held in U.S. currency):		
Domestic bonds	3,084	A1
Domestic bonds	2,415	A2
Domestic bonds	35,827	A3
Domestic bonds	3,669	AA1
Domestic bonds	3,825	AA2
Domestic bonds	3,968	AA3
Domestic bonds	14,220	AAA
Domestic bonds	1,373	AAA+
Domestic bonds	41,563	B1
Domestic bonds	30,747	B2
Domestic bonds	25,105	B3
Domestic bonds	40,526	BA1
Domestic bonds	29,403	BA2
Domestic bonds	55,413	BA3
Domestic bonds	63,138	BAA1
Domestic bonds	93,435	BAA2
Domestic bonds	72,941	BAA3
Domestic bonds	14,975	CAA1
Domestic bonds	8,654	CAA2
Domestic bonds	548	CAA3
Domestic bonds	75,997	NA/NR
Domestic bonds	7	WR
	620,833	

(Continued)

Note 2. Deposits, Investments and Related Policies (Continued)

Investment Name	Fair Value	Moody's
Foreign bonds (held in U.S. currency):		
Foreign bonds	$ 3,684	A1
Foreign bonds	2,776	A2
Foreign bonds	22,521	A3
Foreign bonds	1,503	AA2
Foreign bonds	5,267	B1
Foreign bonds	1,352	B2
Foreign bonds	4,451	B3
Foreign bonds	12,594	BA1
Foreign bonds	15,029	BA2
Foreign bonds	6,292	BA3
Foreign bonds	5,773	BAA1
Foreign bonds	27,325	BAA2
Foreign bonds	19,889	BAA3
Foreign bonds	796	CAA1
Foreign bonds	1,099	CAA2
Foreign bonds	379	CAA3
Foreign bonds	7,711	NA/NR
	138,441	
Total fixed income	$ 1,073,082	
Preferred stock—nonconvertible:		
Preferred stock	$ 2,987	A3
Preferred stock	991	B1
Preferred stock	12,603	BA1
Preferred stock	11,187	BA2
Preferred stock	18,009	BAA1
Preferred stock	17,764	BAA2
Preferred stock	22,212	BAA3
Preferred stock	14,365	NA/NR
	$ 100,118	

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 percent of the bond portfolio at market will be invested in the securities of a single issuer or 5 percent of the bond portfolio in an individual issue. Equity managers shall not invest more than 10 percent of its portfolio market value in any one company. Equity managers may invest up to 5 percent of their portfolio's market value at the time of the initial purchase in a single entity. At June 30, 2016, Federal National Mortgage Corp. represented 6.7 percent of the Agency's investments.

Note 2. Deposits, Investments and Related Policies (Continued)

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 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 exposure to interest rate risk is as follows:

Investment name	Fair Value	Effective Duration (Years)
U.S. government securities:		
U.S. Treasury bond	$ 3,299,584	20.92
U.S. Treasury note	39,611,882	3.52
U.S. Treasury strip	1,096,621	30.98
Government National Mortgage Association	15,847,789	0.37
Other	57,655,672	2.31
	117,511,548	
Mortgage-backed securities:		
Federal Home Loan Mortgage Corp.	45,697,157	0.8
Federal National Mortgage Corp.	141,565,011	2.72
	187,262,168	
Municipal obligations, municipal bonds	9,034,209	9.69
Corporate bonds (held in U.S. currency):		
Domestic bonds	620,833,166	4.95
Foreign bonds	138,440,747	5.95
	759,273,913	
Total fixed income	$ 1,073,081,838	

Fair value measurement: The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Significant other observable inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and other market corroborated inputs

Level 3: Significant unobservable inputs

Note 2. Deposits, Investments and Related Policies (Continued)

Assets measured at fair value on a recurring basis are summarized below:

Investment name	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Equity:				
Common stocks	$ 818,762,740	$ -	$ -	$ 818,762,740
Preferred stock—nonconvertible	97,154,868	2,963,281	-	100,118,149
Preferred stock—convertible	1,837,636	-	-	1,837,636
				-
Fixed income securities:				-
Corporate bonds—domestic	289,961	619,668,854	874,352	620,833,167
Corporate bonds—foreign	-	138,440,747	-	138,440,747
Municipal bonds	-	9,034,209	-	9,034,209
U.S. government sponsored:				
Federal National Mortgage Corp.	3,563,637	137,881,303	120,070	141,565,010
Federal Home Loan Mortgage Corp.	2,946,862	42,378,212	372,083	45,697,157
U.S. Treasury note	39,611,882	-	-	39,611,882
Government National Mortgage Assoc.	-	15,847,789	-	15,847,789
U.S. Treasury bond	3,299,584	-	-	3,299,584
U.S. Treasury strip	1,096,621	-	-	1,096,621
Other government	4,198,959	53,456,714	-	57,655,673
Commercial real estate	-	-	29,978,617	29,978,617
Total investments by fair value level	$ 972,762,750	$ 1,019,671,109	$ 31,345,122	$ 2,023,778,981
Investments measured at the net asset value (NAV)				
Pooled equity funds				$ 110,379,695
Total investments measured at fair value				$ 2,134,158,676

Common and preferred stocks classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Preferred stocks classified in Level 2 of the fair value hierarchy are valued using observable inputs from active or inactive markets for the exact or similar securities. Fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 and 3 are valued using an option-adjusted spread model which considers relevant trade data, benchmark quotes, and spreads. Municipal bonds classified in Level 2 are valued using internal yield curves based on established trading spreads between similar issues, historical trading spreads over widely accepted market benchmarks, new issues scales and market information. U.S. government sponsored asset-backed securities classified in Level 2 and 3 are valued using an option-adjusted spread model that incorporates cash flow, benchmark spread, and deal collateral performance. Pooled equity funds consist solely of a fund of funds containing individual stocks in the Russell 1000 Index. The fund of funds is valued using the net asset value (NAV) of the pool. The Agency has no unfunded commitments related to this investment type. Shares are redeemable daily at the NAV at the time of redemption. Commercial real estate classified in Level 3 of the fair value hierarchy are valued by certified appraisers using a blend of a sales comparison approach which determines the value using recent sales prices of comparable properties and an income approach which determines the value using direct capitalization of projected net operating income.

Note 3. Leasing Operations

The Agency leases to others approximately 740,100 acres of land belonging to the Trusts as of June 30, 2016, 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.

The following is a schedule of the future minimum rent due to the Agency under its noncancelable leases at June 30, 2016:

Years ending June 30:	
2017	$ 11,223,395
2018	8,244,847
2019	5,472,188
	$ 24,940,430

Note 4. Investment Property

With the implementation of the House Bill 1022, the Commissioners of the Land Office have been authorized to acquire, purchase, exchange and grant any real property under its jurisdiction. The Agency shall invest up to 3 percent of the total value of the assets of the permanent school funds in connection with investment in real property. At June 30, 2016, the Agency owned the following property which is carried at fair value and leased to multiple tenants:

Property	Fair Value
5005 N. Lincoln	$ 4,028,153
119 N. Robinson Ave	9,121,269
City Place (204 N. Robinson Ave 8th & 9th Floor)	4,544,425
3017 N. Stiles	1,902,075
400 NE 50th Street	318,550
Land (Marshall County) - 49.9916 acres	4,007,296
City Place (204 N. Robinson Ave 10th Floor)	1,759,755
921 NE 23rd Street	4,297,094
	$ 29,978,617

Note 4. Investment Property (Continued)

The following is a schedule of the future minimum rent due to the Agency under its non-cancelable leases at June 30, 2016:

Years ending June 30:		
2017	$	2,227,111
2018		1,836,183
2019		1,398,716
2020		898,790
2021		600,120
	$	6,960,920

Note 5. Other Receivables

Other receivables at June 30, 2016 consisted of the following:

Accrued mineral revenue	$	7,135,765
Surface leases		417,049
Gas marketing		42,345
Commercial RE Investments		7,357
Other		5,015
	$	7,607,531

Note 6. 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 ended June 30, 2016 was approximately $597,600.

Note 7. Employee Benefit Plans

Retirement plan: The Agency contributes to the Oklahoma Public Employees Retirement System (OPERS) cost sharing multiple-employer defined benefit plan. OPERS was established in 1964 by the Oklahoma Legislature and covers substantially all employees of the State, except those covered by six other plans sponsored by the State, and also covers employees of participating counties and local agencies. The plan provides that all eligible persons, except those specifically excluded, shall become members of OPERS as a condition of their employment. The supervisory authority for the management and operation of OPERS is its Board of Trustees.

OPERS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plan's provisions are established under Title 74 of the Oklahoma Statutes.

Note 7. Employee Benefit Plans (Continued)

Benefits provided: Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Benefits are determined at 2 percent of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5 percent computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Contributions: The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation.

Note 7. Employee Benefit Plans (Continued)

For 2016, state agency employers contributed 16.5 percent on all salary, and state employees contributed 3.5 percent on all salary.

The Agency and employee (combined) contributions to the Plan for the year ended June 30, 2016 was approximately $588,000 and was equal to its required contribution.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0 percent to 2.5 percent. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91 percent which is actuarially determined.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, the Agency reported a liability of $683,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the Agency's proportion was 0.19002899 percent which is a decrease of 0.00227990 percent from the prior fiscal year.

For the year ended June 30, 2016, the Agency recognized pension expense of ($15,166). At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption	$ 10,634	$ -
Differences between expected and actual experience	-	75,996
Net difference between projected and actual investment earnings on pension plan investments	-	310,041
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	13,106
Total deferred amounts to be recognized in pension expense in future periods	10,634	399,143
Agency contributions subsequent to the measurement date	587,717	-
Total deferred amounts related to pension	$ 598,351	$ 399,143

Note 7. Employee Benefit Plans (Continued)

Deferred pension outflows resulting from the Agency's employer contributions subsequent to the measurement date, totaling $587,717 at June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred inflows totaling $310,041 consists of the remaining difference between projected and actual investment earnings originating in fiscal year 2015 of $874,320 which is being amortized over five years, starting at the beginning of fiscal year 2015 and the difference between projected and actual investment earnings originating in fiscal year 2016 of ($564,279) which is being amortized over five years, beginning in the current year. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension consist of amounts originating in current and prior years and will be recognized in pension expense using the average expected remaining life of the Plan as of the beginning of the fiscal year in which each item originated. The average expected remaining service life of the Plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan is estimated at 3.11 years at June 30, 2016 and was estimated at 3.14 years at June 30, 2015. The total future service years are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows at June 30:

	Deferred Outflows	Deferred Inflows	Total
2017	$ 9,328	$ (217,408)	$ (208,080)
2018	1,306	(170,997)	(169,691)
2019	-	(151,808)	(151,808)
2020	-	141,070	141,070
	$ 10,634	$ (399,143)	$ (388,509)

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined based on an actuarial valuation prepared as of July 1, 2015, using the following actuarial assumptions:

- Investment return—7.5 percent compounded annually net of investment expense and including inflation
- Salary increases—4.5 percent to 8.4 percent per year including inflation
- Mortality rates—Active participants and nondisabled pensioners—RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate—3.0 percent
- Payroll growth—4.0 percent per year
- Actuarial cost method—Entry age
- Select period for the termination of employment assumptions—10 years

Note 7. Employee Benefit Plans (Continued)

The actuarial assumptions used in the July 1, 2015, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Note 7. Employee Benefit Plans (Continued)

Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate: The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Agency's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commissioners of the Land Office's proportionate share of the net pension liability (asset)	$ 2,546,910	$ 683,504	$ (900,687)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements, June 30, 2015 CAFR, available at http://www.opers.ok.gov/Websites/opers/images/pdfs/CAFR-2015-OPERS.pdf

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, 2016 and 2015. The Agency believes that it has no liabilities in respect to the State's plan.

Note 8. Capital Assets

The changes in the capital asset accounts for fiscal year 2016 were as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated, land	$ 5,598,711	$ -	$ (8)	$ 5,598,703
Capital assets, being depreciated:				
Furniture, fixture and equipment	1,484,494	264,821	(104,373)	1,644,942
Land improvements	1,816,215	222,615	(19,420)	2,019,410
Total capital assets, being depreciated	3,300,709	487,436	(123,793)	3,664,352
Less accumulated depreciation, for:				
Furniture, fixture and equipment	594,082	284,296	(64,130)	814,248
Land improvements	613,304	240,443	-	853,747
Total accumulated depreciation	1,207,386	524,739	(64,130)	1,667,995
Total capital assets being depreciated, net	2,093,323	(37,303)	(59,663)	1,996,357
Governmental activities, capital assets, net	$ 7,692,034	$ (37,303)	$ (59,671)	$ 7,595,060

Note 9. Commitments and Contingencies

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.

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, 2016, total rent expense for these items was approximately $412,000 for office space and $117,000 for office equipment and other rents.

Note 10. 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.

Required Supplementary Information

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net Pension Liability
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years*

	June 30, 2015	June 30, 2014
Agency's proportion of the net pension liability	0.19002899%	0.19230889%
Agency's proportionate share of the net pension liability	$ 683,504	$ 353,010
Agency's covered-employee payroll	3,284,848	3,169,697
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21%	11%
Plan fiduciary net position as a percentage of the total pension liability	96.00%	97.90%

Notes to Schedule:

*Only the current and prior fiscal years are presented because 10-year data is not yet available. Information is presented as of the Agency's measurement date.

Commissioners of the Land Office
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Required Supplementary Information
Schedule of the Agency's Contributions
Oklahoma Public Employees Retirement Plan
Last 10 Fiscal Years

	June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required to contribute	$ 588,000	$ 542,000	$ 523,000	$ 510,000	$ 480,000	$ 505,000	$ 491,000	$ 476,000	$ 449,000	$ 416,866
Contractually required contributions	588,000	542,000	523,000	510,000	480,000	505,000	491,000	476,000	449,000	416,866
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLO's covered-employee payroll	$ 3,563,636	$ 3,284,848	$ 3,169,697	$ 3,090,909	$ 2,909,091	$ 3,258,065	$ 3,167,742	$ 3,282,759	$ 3,325,926	$ 3,334,928
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%	16.50%	16.50%	15.50%	15.50%	14.50%	13.50%	12.50%

Plan Amendments

The Plan has been amended by House Bill 2630 in 2014 which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. Exemptions from the new defined contribution plan include hazardous duty members and district attorneys, assistant district attorneys and employees of the district attorney's office. Each employer shall send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee's contribution in the defined contribution plan.

Senate Bill 2120, also enacted in 2014, amends House Bill 2630 to further exempt from the new defined contribution plan county elected officials and employees of a county, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates. Senate Bill 2120 also states that employees who participate in the defined contribution system are excluded from the $105 health subsidy.

New employees specifically exempted from the defined contribution plan will participate in the existing defined benefit plan.

Other Supplementary Information

Commissioners of the Land Office
State of Oklahoma
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Other Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget to Actual
General Fund (Non-GAAP Budgetary Basis) (Unaudited)
Year Ended June 30, 2016

	Budgeted Amounts			Variance favorable
	Original	Final	Actual	(unfavorable)
Revenues:				
Fees	$ -	$ -	$ 363,777	$ 363,777
Other interest	-	-	525,456	525,456
Total revenues	-	-	889,233	889,233
Expenditures:				
Administrative	953,919	953,919	944,520	9,399
Legal	1,054,288	1,054,288	802,167	252,121
Data processing	1,312,577	1,312,577	1,081,223	231,354
Real estate	1,462,702	1,462,702	1,355,449	107,253
Commercial real estate	374,510	374,510	248,458	126,052
Soil conservation	289,356	289,356	320,720	(31,364)
Accounting/investments	1,315,837	1,315,837	1,175,790	140,047
Minerals	842,351	842,351	749,775	92,576
Royalty compliance	688,609	688,609	649,037	39,572
Records management	244,451	244,451	136,778	107,673
Total expenditures	8,538,600	8,538,600	7,463,917	1,074,683
Other financing sources (uses):				
Transfers from permanent fund	-	-	10,692,160	10,692,160
Transfers to permanent fund	-	-	(7,495,025)	(7,495,025)
Total other financing sources and uses	-	-	3,197,135	3,197,135
Net change in fund balance	(8,538,600)	(8,538,600)	(3,377,549)	3,011,685
Fund balances, beginning of year		10,377,585	29,789,438	21,539,669
Fund balances, end of year		$ 1,838,985	26,411,889	$ 24,551,354
Reconciliation to GAAP basis, accrual adjustments			(3,698,074)	
Fund balance			$ 22,713,815	

Commissioners of the Land Office
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Other Supplementary Information
Combining Balance Sheet
General Fund
June 30, 2016

	Revolving 16	CLO	Total
Assets			
Cash and cash equivalents	$ 9,648,896	$ 20,930,561	$ 30,579,457
Other receivables	47,360	-	47,360
Total assets	$ 9,696,256	$ 20,930,561	$ 30,626,817
Liabilities and Fund Balance			
Liabilities, accounts payable and accrued expenses	$ 379,132	$ -	$ 379,132
Due to permanent fund	7,668,151	-	7,668,151
Equity, fund balances, unreserved	1,648,973	20,930,561	22,579,534
Total liabilities and fund balance	$ 9,696,256	$ 20,930,561	$ 30,626,817

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to University and College Beneficiaries (Cash Basis)
Year Ended June 30, 2016

University of Oklahoma	$ 9,246,284
Oklahoma State University	8,519,488
Northern Oklahoma College	2,851,584
Langston University	2,212,753
Southeastern Oklahoma State University	1,036,288
University of Central Oklahoma	1,036,288
East Central Oklahoma State University	1,036,288
Northeastern Oklahoma State University	1,036,288
Northwestern Oklahoma State University	1,036,288
Southwestern Oklahoma State University	1,036,288
Cameron University	1,036,288
Oklahoma Panhandle State University	1,036,288
University of Science and Arts	1,036,288
	$ 32,156,701

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis)
Year Ended June 30, 2016

Achille	$ 46,115.48
Ada	412,166.75
Adair	161,649.60
Afton	85,128.87
Agra	62,339.00
Albion	11,662.00
Alex	46,609.49
Aline-Cleo	23,973.56
Allen	74,103.63
Allen-Bowden	54,372.38
Altus	539,348.42
Alva	155,760.05
Amber-Pocasset	73,827.77
Anadarko	285,987.53
Anderson	41,905.23
Antlers	155,006.21
Arapaho-Butler	61,517.78
Ardmore	469,131.05
Arkoma	63,028.67
Arnett	32,682.79
Asher	40,105.65
Atoka	138,623.94
Avant	11,828.79
Balko	23,811.56
Banner	31,924.14
Barnsdall	65,878.80
Bartlesville	914,574.03
Battiest	41,440.10
Bearden	15,243.51
Beaver	57,886.52
Beggs	179,396.79
Belfonte	30,215.95
Bennington	44,461.84
Berryhill	194,431.81
Bethany	261,678.73
Bethel	202,565.20
Big Pasture	31,061.21
Billings	10,125.46
Binger-Oney	60,399.87
Bishop	79,479.90
Bixby	895,614.27
Blackwell	208,546.18
Blair	45,348.82
Blanchard	297,280.63
Bluejacket	29,935.29
Boise City	44,144.27
Bokoshe	32,512.77
Subtotal	6,844,832.29

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 6,844,832.29
Boone-Apache	89,651.89
Boswell	57,492.00
Bowlegs	43,400.08
Bowring	11,609.07
Braggs	27,901.52
Bray-Doyle	55,860.82
Bridge Creek	226,192.35
Briggs	74,052.31
Bristow	258,597.64
Broken Arrow	2,784,222.30
Broken Bow	263,645.12
Brushy	58,407.81
Buffalo	43,355.16
Buffalo Valley	23,968.76
Burlington	23,538.91
Burns Flat-Dill City	102,571.34
Butner	35,991.63
Byars	-
Byng	270,259.63
Cache	282,361.10
Caddo	71,085.06
Calera	105,480.83
Calumet	42,697.56
Calvin	26,103.58
Cameron	42,561.24
Canadian	69,139.54
Caney	39,755.99
Caney Valley	116,969.59
Canton	61,609.21
Canute	68,074.57
Carnegie	86,865.89
Carney	33,835.99
Cashion	76,916.86
Catoosa	318,577.27
Cave Springs	28,554.31
Cement	35,608.31
Central	80,108.65
Central High	66,420.91
Chandler	182,710.48
Chattanooga	34,129.49
Checotah	233,647.30
Chelsea	137,135.49
Cherokee	58,799.19
Cheyenne	55,599.38
Chickasha	367,833.20
Chisholm	159,012.79
Subtotal	14,177,144.41

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 14,177,144.41
Choctaw-Nicoma Park	845,352.69
Chouteau-Mazie	135,741.71
Cimarron	41,223.55
Claremore	615,683.08
Clayton	43,863.61
Cleora	18,544.36
Cleveland	246,302.09
Clinton	353,067.67
Coalgate	111,748.88
Colbert	125,667.57
Colcord	85,520.23
Coleman	29,043.52
Collinsville	410,825.89
Comanche	161,609.49
Commerce	130,869.06
Copan	36,358.95
Cordell	113,619.03
Cottonwood	27,213.47
Covington-Douglas	41,696.71
Coweta	495,779.93
Coyle	45,817.15
Crescent	98,603.31
Crooked Oak	174,761.52
Crowder	71,378.61
Crutcho	58,949.95
Cushing	273,680.77
Cyril	57,390.95
Dahlonegah	20,228.48
Dale	114,631.12
Darlington	35,516.88
Davenport	57,936.27
Davidson	10,752.57
Davis	162,879.77
Deer Creek	828,680.09
Deer Creek-Lamont	27,369.03
Denison	42,711.98
Depew	57,235.35
Dewar	62,290.85
Dewey	188,996.18
Dibble	102,747.77
Dickson	200,377.48
Dover	27,030.62
Drummond	48,702.59
Drumright	88,784.17
Duke	30,434.09
Duncan	561,320.31
Subtotal	21,696,083.76

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 21,696,083.76
Durant	548,328.68
Eagletown	28,793.31
Earlsboro	36,671.67
Edmond	3,569,722.05
El Reno	387,907.70
Eldorado	12,850.51
Elgin	334,005.25
Elk City	341,108.94
Elmore City-Pernell	75,189.47
Empire	72,746.73
Enid	1,196,373.77
Erick	39,051.88
Eufaula	180,877.20
Fairland	92,343.23
Fairview	113,875.67
Fanshawe	10,290.66
Fargo	32,090.99
Felt	12,730.19
Fletcher	72,320.09
Flower Mound	50,721.91
Forest Grove	27,489.33
Forgan	21,737.74
Fort Cobb-Broxton	49,939.19
Fort Gibson	287,913.83
Fort Supply	20,873.24
Fort Towson	62,196.25
Fox	48,314.45
Foyil	83,598.77
Frederick	132,978.17
Freedom	13,341.28
Friend	42,487.44
Frink-Chambers	65,679.90
Frontier	58,656.42
Gage	10,762.15
Gans	64,712.75
Garber	57,453.49
Geary	62,711.07
Geronimo	51,374.69
Glencoe	52,470.17
Glenpool	396,650.56
Glover	11,772.68
Goodwell	38,134.45
Gore	71,878.99
Gracemont	22,568.54
Graham-Dustin	25,179.70
Grand View	94,190.93
Subtotal	30,779,149.84

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 30,779,149.84
Grandfield	37,855.37
Grandview	21,139.47
Granite	43,263.74
Grant	24,756.27
Greasy	13,686.14
Greenville	19,248.48
Grove	374,038.72
Grove	69,845.26
Guthrie	523,946.11
Guymon	443,216.75
Gypsy	13,923.50
Haileyville	55,145.46
Hammon	39,813.74
Hanna	14,661.29
Hardesty	14,800.84
Harmony	31,840.72
Harrah	315,833.00
Hartshorne	120,826.99
Haskell	123,329.69
Haworth	93,727.42
Haywood	21,136.26
Healdton	79,216.89
Heavener	162,369.74
Hennessey	138,862.91
Henryetta	188,702.66
Hilldale	287,886.55
Hinton	104,762.29
Hobart	131,720.70
Hodgen	38,854.61
Holdenville	159,806.69
Hollis	81,403.00
Holly Creek	34,868.92
Hominy	88,606.13
Hooker	100,388.43
Howe	86,771.27
Hugo	175,791.22
Hulbert	93,374.55
Hydro-Eakly	65,234.03
Idabel	186,670.51
Indiahoma	33,648.35
Indianola	33,468.69
Inola	212,114.86
Jay	251,121.84
Jenks	1,730,212.79
Jennings	30,594.49
Jones	167,606.48
Subtotal	37,859,243.66

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 37,859,243.66
Justice	26,249.51
Justus-Tiawah	75,750.83
Kansas	132,753.62
Kellyville	164,600.78
Kenwood	14,536.20
Keota	63,745.61
Ketchum	93,889.41
Keyes	11,596.25
Keys	130,747.16
Keystone	47,124.33
Kiefer	107,801.68
Kildare	11,763.04
Kingfisher	219,670.86
Kingston	182,064.09
Kinta	29,755.65
Kiowa	47,254.26
Konawa	107,344.57
Krebs	60,558.65
Kremlin-Hillsdale	45,390.52
Lane	43,335.92
Latta	130,426.35
Laverne	76,108.52
Lawton	2,272,985.53
Le Flore	32,262.54
Leach	23,660.81
Leedey	33,773.41
Lexington	173,002.02
Liberty	41,313.39
Liberty	85,176.99
Lindsay	193,038.00
Little Axe	185,687.31
Locust Grove	214,706.78
Lomega	36,771.14
Lone Grove	228,118.63
Lone Star	137,225.33
Lone Wolf	12,965.96
Lookeba Sickles	41,162.62
Lowrey	21,113.82
Lukfata	56,929.02
Luther	140,766.74
Macomb	43,154.66
Madill	261,444.58
Mangum	105,049.39
Mannford	236,348.27
Mannsville	14,592.33
Maple	24,390.60
Subtotal	44,297,351.34

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 44,297,351.34
Marble City	20,270.15
Marietta	159,129.86
Marlow	220,111.93
Maryetta	104,058.08
Mason	40,684.66
Maud	50,059.49
Maysville	55,504.74
McAlester	464,638.50
McCord	38,828.96
McCurtain	34,971.55
McLoud	278,011.31
Medford	42,311.00
Meeker	129,566.68
Merritt	118,692.18
Miami	371,985.74
Middleberg	30,483.83
Midway	32,634.66
Midwest City-Del City	2,203,427.38
Milburn	28,113.24
Mill Creek	24,783.55
Millwood	148,361.24
Minco	88,737.66
Moffett	56,592.19
Monroe	16,573.15
Moore	3,554,382.30
Mooreland	79,463.87
Morris	162,308.79
Morrison	82,556.21
Moseley	33,188.00
Moss	44,325.52
Mounds	87,098.47
Mountain View-Gotebo	39,329.36
Moyers	32,196.80
Muldrow	233,252.73
Mulhall-Orlando	36,402.25
Muskogee	916,662.32
Mustang	1,576,669.33
Nashoba	7,814.24
Navajo	72,211.02
New Lima	43,898.90
Newcastle	308,046.05
Newkirk	131,185.02
Ninnekah	82,782.35
Noble	429,556.29
Norman	2,365,577.36
North Rock Creek	89,672.73
Subtotal	59,464,462.98

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 59,464,462.98
Norwood	30,732.44
Nowata	142,035.44
Oak Grove	28,254.40
Oakdale	93,300.77
Oaks Mission	37,135.21
Oilton	41,369.54
Okarche	51,579.99
Okay	61,291.65
Okeene	51,098.83
Okemah	131,197.82
Oklahoma City	6,967,850.32
Oklahoma Union	103,094.23
Okmulgee	231,714.58
Oktaha	116,178.88
Olive	56,046.87
Olustee	23,189.27
Oologah-Talala	274,902.96
Optima	9,924.98
Osage	25,141.20
Osage Hills	27,062.70
Owasso	1,479,339.53
Paden	36,618.75
Panama	112,244.50
Panola	24,380.96
Paoli	39,116.03
Pauls Valley	202,659.83
Pawhuska	126,018.84
Pawnee	113,835.57
Peavine	19,890.02
Peckham	15,767.99
Peggs	37,670.92
Perkins-Tryon	228,323.92
Perry	181,326.31
Piedmont	524,172.28
Pioneer	60,066.25
Pioneer-Pleasant Vale	83,037.39
Pittsburg	21,546.86
Plainview	234,784.46
Pleasant Grove	41,236.40
Pocola	124,070.09
Ponca City	776,793.76
Pond Creek-Hunter	52,956.15
Porter Consolidated	82,352.51
Porum	76,929.71
Poteau	353,564.86
Prague	161,715.35
Subtotal	73,177,984.30

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 73,177,984.30
Preston	88,920.52
Pretty Water	39,964.50
Prue	48,587.10
Pryor	402,662.01
Purcell	217,622.67
Putnam City	2,914,871.61
Quapaw	94,684.95
Quinton	72,852.59
Rattan	74,889.55
Ravia	14,653.28
Red Oak	42,059.22
Reydon	21,490.73
Ringling	64,380.75
Ringwood	63,703.90
Ripley	69,975.17
Riverside	24,916.66
Robin Hill	42,301.39
Rock Creek	73,787.67
Rocky Mountain	26,977.69
Roff	52,284.10
Roland	162,435.49
Rush Springs	85,605.23
Ryal	9,477.50
Ryan	40,235.57
Salina	124,692.41
Sallisaw	296,971.08
Sand Springs	794,285.95
Sapulpa	603,616.90
Sasakwa	33,305.10
Savanna	57,698.88
Sayre	117,049.81
Schulter	21,643.09
Seiling	69,364.10
Seminole	267,451.20
Sentinel	52,255.23
Sequoyah	207,983.21
Shady Grove	23,575.81
Shady Point	21,174.77
Sharon-Mutual	46,044.90
Shattuck	58,236.19
Shawnee	592,378.33
Shidler	36,522.54
Silo	131,156.16
Skiatook	385,224.36
Smithville	42,800.21
Snyder	68,018.42
Subtotal	81,978,772.80

(Continued)

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 81,978,772.80
Soper	62,032.62
South Coffeyville	39,826.56
South Rock Creek	62,587.60
Spavinaw	13,357.31
Sperry	184,856.49
Spiro	168,652.22
Springer	31,309.83
Sterling	63,104.04
Stidham	15,535.42
Stigler	207,174.82
Stillwater	933,707.01
Stilwell	200,372.68
Stonewall	70,473.99
Straight	7,339.47
Stratford	109,535.48
Stringtown	40,315.76
Strother	63,833.82
Stroud	124,015.56
Stuart	43,165.92
Sulphur	238,914.52
Sweetwater	19,570.87
Swink	27,215.06
Tahlequah	528,310.34
Talihina	92,354.47
Taloga	11,653.97
Tannehill	25,997.72
Tecumseh	340,744.86
Temple	26,647.27
Tenkiller	45,138.71
Terral	10,359.61
Texhoma	43,696.80
Thackerville	48,959.21
Thomas-Fay-Custer Unified	75,433.26
Timberlake	42,679.92
Tipton	49,915.14
Tishomingo	149,102.24
Tonkawa	109,965.34
Tulsa	6,203,743.45
Tupelo	40,306.15
Turkey Ford	14,093.52
Turner	49,648.90
Turpin	65,368.77
Tushka	69,607.87
Tuskahoma	12,802.37
Tuttle	279,170.93
Twin Hills	56,179.98
Subtotal	93,097,550.65

(Continued)

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 93,097,550.65
Tyrone	37,993.29
Union	2,369,899.88
Union City	45,140.30
Valliant	135,611.81
Vanoss	81,698.12
Varnum	44,821.13
Velma-Alma	73,118.81
Verden	39,964.50
Verdigris	191,182.28
Vian	155,920.44
Vici	53,278.53
Vinita	243,585.08
Wagoner	347,449.17
Wainwright	18,438.50
Walters	111,333.49
Wanette	28,023.42
Wapanucka	38,415.11
Warner	117,462.01
Washington	154,225.11
Watonga	119,874.28
Watts	50,250.35
Waukomis	60,885.87
Waurika	62,132.08
Wayne	82,824.07
Waynoka	44,837.17
Weatherford	343,797.08
Webbers Falls	40,683.06
Welch	51,562.34
Weleetka	62,298.88
Wellston	97,952.09
Western Heights	563,580.22
Westville	172,052.52
Wetumka	70,395.41
Wewoka	117,219.82
White Oak	6,402.81
White Rock	19,323.86
Whitebead	61,434.39
Whitefield	19,797.01
Whitesboro	31,455.81
Wickliffe	21,947.86
Wilburton	142,142.91
Wilson	34,909.02
Wilson	73,752.36
Wister	89,477.06
Woodall	72,868.64
Woodland	66,855.58
Subtotal	99,965,824.18

(Continued)

Commissioners of the Land Office
State of Oklahoma
(An Agency of the State of Oklahoma)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2016

(Subtotal forwarded)	$ 99,965,824.18
Woodward	462,203.79
Wright City	69,341.63
Wyandotte	123,760.55
Wynnewood	108,024.63
Wynona	17,899.58
Yale	66,557.26
Yarbrough	19,541.99
Yukon	1,240,570.99
Zaneis	43,480.29
Zion	54,746.11
	$ 102,171,951.00

Report Required by
Government Auditing Standards

RSM US LLP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Commissioners of the Land Office,
State of Oklahoma
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma (the Agency), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 2, 2016. Our report includes an emphasis of matter paragraph acknowledging that the Agency is a governmental fund of the State of Oklahoma and the financial statements reflect only the financial position of that governmental fund and not the State of Oklahoma as a whole.

Internal Control over Financial Reporting

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

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

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

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

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

RSM US LLP

Oklahoma City, Oklahoma
November 2, 2016