Commissioners of the Land Office State of Oklahoma

Audited Financial Report and Report Required by
Government Auditing Standards
June 30, 2017

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

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, 2017, 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, 2017, and the respective changes in financial position 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, 2017 or the changes in its financial position for the year 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, 2017 dated November 13, 2017, 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 13, 2017

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, 2017. It should be read in conjunction with the financial statements, which begin, on page 9.

Financial Highlights

- Net position is up approximately $155.6 million. The increase was primarily due to the net increase in fair value of investments. Of the $66.8 million in mineral revenue, royalties of $33.1 million were added to the permanent fund and $33.3 million in lease bonuses and delay rentals were apportioned.

- Interest from investments was up $1.1 million, from $54.3 million in fiscal year 2016 to $55.4 million in fiscal year 2017.

- Actual cash distributions to beneficiaries were up $1.9 million, from $141.8 million in fiscal year 2016 to $143.7 million in fiscal year 2017, primarily due to the a $4 million special distribution paid from stabilization funds. Of the $143.7 million in cash distributions during fiscal year 2017, $34 million were to universities and colleges, $103.4 million were to public schools, and $6.3 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 32 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 $2.4 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

	2017	2016
	(In Thousands)	
Assets:		
Current assets	$ 144,624	$ 165,842
Investments	2,312,098	2,134,159
Capital assets, net	7,366	7,595
Total assets	$ 2,464,088	$ 2,307,596
Deferred outflows of resources	$ 1,721	$ 598
Liabilities:		
Current liabilities	$ 49,259	$ 48,239
Noncurrent liabilities	2,403	1,123
Total liabilities	$ 51,663	$ 49,362
Deferred inflows of resources	$ 100	$ 399
Net position:		
Investment in capital assets	$ 7,366	$ 7,595
Restricted	2,383,186	2,229,047
Unrestricted	23,494	21,790
Total net position	$ 2,414,046	$ 2,258,433

Government-Wide Financial Analysis (Continued)

There was an increase of $155.6 million in net position. The key elements of the increase are as follows:

Changes in Net Position

	2017	2016
	(In Thousands)	
Expenses:		
Apportionments	$ 143,586	$ 132,317
Custodial fees	7,035	7,459
Administrative	7,776	7,461
Other	2,685	3,207
Total expenses	161,082	150,444
Revenues:		
Program revenue:		
Investment earnings	218,777	15,142
Mineral revenue	66,793	56,165
Rents	19,441	18,921
Other	11,685	5,317
Total revenues	316,695	95,545
Change in net position	155,613	(54,899)
Net position, beginning of year	2,258,433	2,313,332
Net position, end of year	$ 2,414,046	$ 2,258,433

Apportionments increased from $132.3 million during fiscal year 2016 to $143.6 million during fiscal year 2017. The increase was primarily due to a special apportionment from the stabilization fund and greater lease bonus revenues. Actual cash distributions to beneficiaries were up $1.9 million, from $141.8 million in fiscal year 2016 to $143.7 million in fiscal year 2017.

Investment earnings increased from $15.1 million in fiscal year 2016 to $218.8 million in fiscal year 2017. Most of the increase was due to increased market gains compared to the prior year.

Mineral income increased from $56.2 million in fiscal year 2016 to $66.8 million in fiscal year 2017. The increase was due to an increase of both royalty payments and lease bonus 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 $2.4 billion, an increase of $155.7 million in comparison with the prior year. Approximately $2.3 billion is restricted and nonexpendable to indicate that it is not available for general purposes because it has already been committed to beneficiaries. Approximately $1.7 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, 2017, the unassigned fund balance was $24.3 million, or 285 percent of budgeted general fund expenditures, the assigned fund balance was $1.7 million, or 20 percent of budgeted general fund expenditures, and the restricted fund balance was $440 thousand, or 5 percent of budgeted general fund expenditures. The unassigned fund balance of the general fund increased by $10.2 million from June 30, 2016. Operating expenses exceeded revenues for the fund by approximately $7.3 million but were offset by net transfers from the permanent fund of approximately $11.1 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 $310.9 million compared to $94.7 million of prior year. Cash apportionments distributed to beneficiaries during 2017 totaled $143.7 million with $34 million disbursed to universities and colleges, $103.4 million disbursed to public schools, and $6.3 million to public buildings. This was an increase of $1.9 million from the cash apportionments distributed during fiscal year 2016.

General Fund Budgetary Highlights

For fiscal year 2017, general fund actual expenditures on a budgetary basis were $7.4 million compared to the budget of $8.5 million. The $1.1 million variance was due to a 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, 2017 is approximately $834,000,000 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, 2017

Assets	
Cash and cash equivalents	$ 124,265,873
Restricted cash	440,244
Investments	2,259,927,304
Property held for investment	52,170,560
Accrued interest receivable	11,732,331
Other receivables	8,185,690
Capital assets:	
Land	5,598,703
Other capital assets, net of depreciation	1,767,102
Total assets	$ 2,464,087,807
Deferred outflows of resources:	
Deferred pension plan outflows	$ 1,720,940
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities:	
Accounts payable and accrued expenses	$ 41,608,014
Unearned revenue	7,651,500
Net pension liability	1,955,550
Accrued compensated absences	447,712
Total liabilities	$ 51,662,776
Deferred inflows of resources:	
Deferred pension plan inflows	$ 99,993
Net position:	
Investment in capital assets	$ 7,365,805
Restricted	
Nonexpendable	2,382,746,072
Expendable	440,244
Unrestricted	23,493,857
Total net position	$ 2,414,045,978

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, 2017

Expenses:	
Education:	
Apportionments to beneficiaries:	
Universities and colleges	$ 35,862,077
Public schools	103,359,585
Public buildings	4,364,499
Total apportionments	143,586,161
Custodial fees	7,034,912
Administrative expenses	7,775,880
Commercial real estate expense	1,556,795
Other expenses	596,974
Depreciation	531,670
Total program expenses	161,082,392
Program revenues:	
Investment earnings:	
Interest	55,461,294
Dividends	36,301,692
Net increase in fair value of investments	127,013,517
Net investment gain	218,776,503
Mineral revenue	66,792,689
Rents	15,467,513
Commercial real estate rent	3,973,635
Gain on sale of grant land	4,896,370
Miscellaneous	4,936,740
Fees	358,897
Other interest	1,493,349
Total program revenues	316,695,696
Change in net position	155,613,304
Net position, beginning of year	2,258,432,674
Net position, ending of year	$ 2,414,045,978

See notes to basic financial statements.

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

Balance Sheet—Governmental Funds
June 30, 2017

	General	Permanent	Total
Assets			
Cash and cash equivalents	$ 27,295,358	$ 96,970,515	$ 124,265,873
Restricted cash	440,244	-	440,244
Investments	-	2,259,927,304	2,259,927,304
Property held for investment	-	52,170,560	52,170,560
Accrued interest receivable	-	11,732,331	11,732,331
Other receivables	201,391	7,984,299	8,185,690
Due from other funds	9,056	577,411	586,467
Total assets	$ 27,946,049	$ 2,429,362,420	$ 2,457,308,469
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued expenses	$ 872,632	$ 40,735,382	$ 41,608,014
Unearned revenue	-	7,651,500	7,651,500
Due to other funds	577,411	9,056	586,467
Total liabilities	1,450,043	48,395,938	49,845,981
Fund balance:			
Nonspendable, permanent fund corpus	-	2,382,746,072	2,382,746,072
Restricted	440,244	-	440,244
Assigned	1,722,205	-	1,722,205
Unassigned	24,333,557	(1,779,590)	22,553,967
Total fund balance	26,496,006	2,380,966,482	2,407,462,488
Total liabilities and fund balance	$ 27,946,049	$ 2,429,362,420	
Capital assets not considered financial resources and not included in funds			7,365,805
Compensated absences not due and payable in the current period			(447,712)
Net pension liability not due and payable in the current period			(1,955,550)
Deferred pension inflows			(99,993)
Deferred pension outflows			1,720,940
Net position of governmental activities			$ 2,414,045,978

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, 2017

	General	Permanent	Total
Revenues:			
Investment revenues:			
Interest	$ -	$ 55,461,294	$ 55,461,294
Dividends	-	36,301,692	36,301,692
Net increase in fair value of investments	-	127,013,517	127,013,517
Net investment revenue	-	218,776,503	218,776,503
Fees	358,898	-	358,898
Other interest	510,153	983,196	1,493,349
Mineral revenue	-	66,792,689	66,792,689
Rents	-	19,441,148	19,441,148
Miscellaneous revenue	-	4,936,740	4,936,740
Total revenues	869,051	310,930,276	311,799,327
Expenditures:			
Administrative expenses	7,917,045	-	7,917,045
Capital outlay	256,665	45,750	302,415
Other	4,941	2,148,831	2,153,772
Custodial fees	-	7,034,912	7,034,912
Apportionments to beneficiaries:			
Universities and colleges	-	35,862,077	35,862,077
Public schools	-	103,359,585	103,359,585
Public buildings	-	4,364,499	4,364,499
Total expenditures	8,178,651	152,815,654	160,994,305
Deficiency of revenues over expenditures	(7,309,600)	158,114,622	150,805,022
Other financing sources (uses):			
Transfers in	11,091,791	-	11,091,791
Transfers out	-	(11,091,791)	(11,091,791)
Gain on sale of grant land	-	4,896,370	4,896,370
Total other financing sources (uses)	11,091,791	(6,195,421)	4,896,370
Net change in fund balances	3,782,191	151,919,201	155,701,392
Fund balances, beginning of year	22,713,815	2,229,047,281	2,251,761,096
Fund balances, end of year	$ 26,496,006	$ 2,380,966,482	$ 2,407,462,488
Net change to fund balances			$ 155,701,392
Capital assets purchased			302,415
Increase in liability for compensated absences			(8,525)
Current year depreciation expense			(531,670)
Pension expense			(434,478)
Current year pension contributions			584,170
Change in net position of governmental activities			$ 155,613,304

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 multi-year 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, gas marketing and commercial real estate investments.

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 amounts reported in the financial statements and accompanying footnotes. 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, 2017, the Agency had deferred inflows related to pensions of $99,993. 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, 2017, the Agency had deferred outflows of resources related to pensions of $1,720,940. 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, 2017. This land is held in trust and is stated at $1 per acre in the financial statements at June 30, 2017. 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, 2017, 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:	
Reservoirs	50 years
Water wells, erosion control	20 years
Water ways	10-25 years
Other land improvements	5 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 and open-ended mutual 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, 2017, unpaid and accumulated benefits totaled $447,712. The activity for the year is as follows:

Beginning balance	$	439,186
Leave earned		231,165
Leave used		(222,639)
End balance	$	447,712

New accounting pronouncements adopted in fiscal year 2017: The Agency adopted the following new accounting pronouncements during the year ended June 30, 2017:

- 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. The adoption of this Statement did not have a material impact on the Agency' net position.

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

- GASB Statement 85, *Omnibus 2017*, issued March 2017, will be effective for the Agency beginning with its fiscal year ending June 30, 2018. This Statement address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Agency has not yet determined the impact that implementation of GASB 85 will have on its net position.

Note 1. Summary of Significant Accounting Policies (Continued)

- GASB Statement 87, *Leases*, issued June 2017, will be effective for the Agency beginning with its fiscal year ending June 30, 2021. The primary objective of this Statement is to increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Agency has not yet determined the impact that implementation of GASB 87 will have on its net position.

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. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Substantially, all (in excess of 99 percent) of the Agency's deposits are collateralized through the Oklahoma State Treasurer or its investment custodians; however, the Agency does not have a specific policy that reduces the Agency's exposure to custodial credit risk.

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, 2017, the carrying amount of the Agency's deposits was $88,773,880 and the bank balance was $90,600,440 of which deposits with a carrying amount of $88,067,942 and a bank balance of $89,156,546 were deposited at the Office of the State Treasurer. The cash that is deposited with the Oklahoma State Treasurer (OST) is fully insured or collateralized by the State Treasurer. Of funds on deposit with the State Treasurer at June 30, 2017, funds with a bank balance of $89,611,609 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, 2017 with a carrying amount of $705,938 and a bank balance of $1,443,894 were held with a separate financial institution. Of the $1,443,894, $1,193,894 was exposed to custodial credit risk at June 30, 2017 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 $35,932,237 at June 30, 2017 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, 2017, 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, 2017, the Agency had the following investments:

Investments:	
Stocks:	
Common stocks	$ 632,002,991
Pooled equity funds	127,607,051
Equity-based mutual funds—domestic	51,237,010
Equity-based mutual funds—foreign	238,471,266
Fixed income securities:	
Government	325,905,155
Corporate bonds—domestic	648,208,468
Corporate bonds—foreign	156,968,480
Preferred stocks:	
Preferred stock—nonconvertible	78,939,335
Preferred stock—convertible	587,548
Total	$ 2,259,927,304

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, 2017 consisted of the following:

Investment Name	Fair Value	Moody's Rating
U.S. government sponsored:	(In Thousands)	
U.S. Treasury note	$ 55,228	AAA
U.S. Treasury obligation	246	AAA
U.S. Treasury obligation	1,511	AA+
Federal Home Loan Mortgage Corp.	41,087	AAA
Federal National Mortgage Corp.	139,182	AAA
Government National Mortgage Association	16,227	AAA
Other	62,571	AAA
Other	2,236	NA
	318,288	
Municipal obligations:		
Municipal bonds	1,110	A2
Municipal bonds	3,826	A3
Municipal bonds	2,681	BAA3
	7,617	
Corporate bonds (held in U.S. currency):		
Domestic bonds	7,505	A-
Domestic bonds	7,619	A+
Domestic bonds	3,184	A1
Domestic bonds	5,830	A2
Domestic bonds	32,702	A3
Domestic bonds	2,236	AA
Domestic bonds	1,036	AA-
Domestic bonds	1,982	AA+
Domestic bonds	4,229	AA1
Domestic bonds	6,119	AA2
Domestic bonds	3,010	AA3
Domestic bonds	10,397	AAA
Domestic bonds	42,996	B1
Domestic bonds	31,509	B2
Domestic bonds	38,634	B3
Domestic bonds	32,260	BA1
Domestic bonds	35,947	BA2
Domestic bonds	47,194	BA3
Domestic bonds	73,846	BAA1
Domestic bonds	93,298	BAA2
Domestic bonds	72,114	BAA3
Domestic bonds	5,023	BBB-
Domestic bonds	5,831	BBB+
Domestic bonds	10,867	CAA1
Domestic bonds	3,163	CAA2
Domestic bonds	925	CAA3
Domestic bonds	412	D
Domestic bonds	68,030	NA/NR
Domestic bonds	310	WR
	648,208	

(Continued)

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

Investment Name	Fair Value	Moody's Rating
Foreign bonds (held in U.S. currency):		
Foreign bonds	$ 5,785	A1
Foreign bonds	3,232	A2
Foreign bonds	20,757	A3
Foreign bonds	1,234	AA2
Foreign bonds	1,660	AA3
Foreign bonds	7,592	B1
Foreign bonds	2,602	B2
Foreign bonds	2,996	B3
Foreign bonds	24,953	BA1
Foreign bonds	12,249	BA2
Foreign bonds	6,810	BA3
Foreign bonds	2,990	BAA1
Foreign bonds	31,268	BAA2
Foreign bonds	22,155	BAA3
Foreign bonds	1,173	CAA1
Foreign bonds	949	CAA2
Foreign bonds	8,564	NA/NR
	156,969	
Total fixed income	$ 1,131,082	
Preferred stock—nonconvertible:		
Preferred stock	$ 1,098	B+
Preferred stock	1,086	BA2
Preferred stock	4,736	BAA1
Preferred stock	2,166	BAA2
Preferred stock	1,710	BAA3
Preferred stock	12,473	BB
Preferred stock	1,665	BB-
Preferred stock	10,888	BB+
Preferred stock	15,025	BBB
Preferred stock	11,195	BBB-
Preferred stock	7,868	BBB+
Preferred stock	9,031	NA/NR
	$ 78,939	

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, 2017, Federal National Mortgage Corp. represented 6.2 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 note	$ 55,227,684	3.28
U.S. Treasury obligation	1,757,234	26.95
Government National Mortgage Association	16,226,784	2.99
Other	64,807,908	3.52
	138,019,610	
Mortgage-backed securities:		
Federal Home Loan Mortgage Corp.	41,086,606	1.51
Federal National Mortgage Corp.	139,181,529	3.62
	180,268,135	
Municipal obligations, municipal bonds	7,617,410	10.36
Corporate bonds (held in U.S. currency):		
Domestic bonds	648,208,468	5.05
Foreign bonds	156,968,480	5.72
	805,176,948	
Total fixed income	$ 1,131,082,103	

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	$ 632,002,991	$ -	$ -	$ 632,002,991
Preferred stock—nonconvertible	75,871,366	3,067,969	-	78,939,335
Preferred stock—convertible	587,548	-	-	587,548
Fixed income securities:				
Corporate bonds—domestic	198,677	647,288,440	721,351	648,208,468
Corporate bonds—foreign	-	156,968,480	-	156,968,480
Municipal bonds	-	7,617,410	-	7,617,410
U.S. government sponsored:				
Federal National Mortgage Corp.	2,342,016	136,757,814	81,699	139,181,529
Federal Home Loan Mortgage Corp.	2,440,636	38,360,502	285,468	41,086,606
Government National Mortgage Assoc.	-	16,226,784	-	16,226,784
U.S. Treasury note	55,227,684	-	-	55,227,684
U.S. Treasury obligation	1,757,234	-	-	1,757,234
Other government	2,454,841	62,353,067	-	64,807,908
Commercial real estate	-	-	52,170,560	52,170,560
Total investments by fair value level	$ 772,882,993	$ 1,068,640,466	$ 53,259,078	$ 1,894,782,537
Investments measured at the net asset value (NAV)				
Pooled equity funds				127,607,051
Equity-based mutual funds—domestic				51,237,010
Equity-based mutual funds—foreign				238,471,266
Total investments measured at fair value				$ 2,312,097,864

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.

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

Pooled equity funds consist solely of a fund of funds containing individual stocks in the Russell 1000 Index. Equity-based mutual funds—domestic consist solely of an open-ended mutual fund containing common stocks of companies primarily in the United States that are characterized by high-dividend yield. Equity-based mutual funds—foreign consist solely of an open-ended mutual fund containing stocks issued by companies located in developed and emerging markets, excluding the United States. The fund of funds and equity-based mutual funds are valued using the net asset value (NAV) of the pool or fund. The Agency has no unfunded commitments related to investments valued at NAV. Shares are redeemable daily at the NAV at the time of redemption for each of these investment types. 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, 2017, 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, 2017:

Years ending June 30:	
2018	$ 12,311,925
2019	9,240,593
2020	6,383,819
2021	3,020,767
2022	399,231
	$ 31,356,335

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, 2017, the Agency owned the following property which is carried at fair value and leased to multiple tenants:

Property	Fair Value
5005 N. Lincoln	$ 4,059,810
119 N. Robinson Ave	9,200,056
City Place (204 N. Robinson Ave 4th, 8th & 9th Floor)	4,565,873
3017 N. Stiles	2,800,000
400 NE 50th Street	326,650
City Place (204 N. Robinson Ave 10th Floor)	1,767,556
921 NE 23rd Street	4,478,085
5727 South Lewis Avenue, Tulsa	12,000,000
Lincoln Corridor properties	4,062,530
5050 N. Lincoln	7,860,000
Memorial & MacArthur tract	1,050,000
	$ 52,170,560

The following is a schedule of the future minimum rent due to the Agency under its noncancelable leases at June 30, 2017:

Years ending June 30:	
2018	$ 3,244,762
2019	2,162,567
2020	1,345,234
2021	912,363
2022	427,362
Thereafter	7,718
	$ 8,100,006

Note 5. Other Receivables

Other receivables at June 30, 2017 consisted of the following:

Accrued mineral revenue	$ 8,026,543
Surface leases	486,966
Gas marketing	121,742
Commercial RE Investments	78,535
Other	79,649
Allowance for doubtful accounts	(607,745)
	$ 8,185,690

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, 2017 was approximately $621,700.

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.

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.

Note 7. Employee Benefit Plans (Continued)

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.

For 2017, 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, 2017 was approximately $535,672 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, 2017, the Agency reported a liability of $1,955,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2016, the Agency's proportion was 0.19708621 percent which is an increase of 0.00705722 percent from the prior fiscal year.

Note 7. Employee Benefit Plans (Continued)

For the year ended June 30, 2017, the Agency recognized pension expense of $434,478. At June 30, 2017, 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	$ 312,586	$ -
Differences between expected and actual experience	-	85,371
Net difference between projected and actual investment earnings on pension plan investments	824,184	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	14,622
Total deferred amounts to be recognized in pension expense in future periods	1,136,770	99,993
Agency contributions subsequent to the measurement date	584,170	-
Total deferred amounts related to pension	$ 1,720,940	$ 99,993

Deferred pension outflows resulting from the Agency's employer contributions subsequent to the measurement date, totaling $584,170 at June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred outflows totaling $824,184 consists of the remaining difference between projected and actual investment earnings originating in fiscal year 2015 of ($582,880) 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 $423,209 which is being amortized over five years, starting at the beginning of fiscal year 2016, and the difference between projected and actual investment earnings originating in fiscal year 2017 of $983,855 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 3.08 years at June 30, 2017 and was estimated at 3.11 years at June 30, 2016. 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
2018	$ 246,553	$ (58,093)	$ 188,460
2019	245,247	(38,904)	206,343
2020	399,006	(2,996)	396,010
2021	245,964	-	245,964
	$ 1,136,770	$ (99,993)	$ 1,036,777

Note 7. Employee Benefit Plans (Continued)

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined based on an actuarial valuation prepared as of July 1, 2016, using the following actuarial assumptions:

- Investment return—7.25 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

With the exception of the long-term rate of return used in the July 1, 2016 valuation, the actuarial assumptions used in are based on the results of the most recent actuarial experience study, which covers the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014. The long-term rate of return was modified by the Plan during 2016.

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, 2016, 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%	

Note 7. Employee Benefit Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.25 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.

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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Commissioners of the Land Office's proportionate share of the net pension liability (asset)	$ 4,003,103	$ 1,955,550	$ 217,352

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-2016-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, 2017 and 2016. 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 2017 were as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated, land	$ 5,598,703	$ -	$ -	$ 5,598,703
Capital assets, being depreciated:				
Furniture, fixture and equipment	1,644,942	111,210	(2,538)	1,753,614
Land improvements	2,019,410	191,205	-	2,210,615
Total capital assets, being depreciated	3,664,352	302,415	(2,538)	3,964,229
Less accumulated depreciation, for:				
Furniture, fixture and equipment	814,248	268,589	(2,538)	1,080,299
Land improvements	853,747	263,081	-	1,116,828
Total accumulated depreciation	1,667,995	531,670	(2,538)	2,197,127
Total capital assets being depreciated, net	1,996,357	(229,255)	-	1,767,102
Governmental activities, capital assets, net	$ 7,595,060	$ (229,255)	$ -	$ 7,365,805

Note 9. Commitments and Contingencies

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, 2017, total rent expense for these items was approximately $393,000 for office space and $156,000 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, 2016	June 30, 2015	June 30, 2014
Agency's proportion of the net pension liability	0.19708621%	0.19002899%	0.19230889%
Agency's proportionate share of the net pension liability	$ 1,955,550	$ 683,504	$ 353,010
Agency's covered-employee payroll	3,246,497	3,284,848	3,169,697
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60%	21%	11%
Plan fiduciary net position as a percentage of the total pension liability	89.47%	96.00%	97.90%

Notes to Schedule:

*Only the current and prior two 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
State of Oklahoma
(An Agency of the State of Oklahoma)

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

	2017	2016	2015	2014	2013
Contractually required to contribute	$ 535,672	$ 588,000	$ 542,000	$ 523,000	$ 510,000
Contractually required contributions	535,672	588,000	542,000	523,000	510,000
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
CLO's covered-employee payroll	$ 3,246,497	$ 3,563,636	$ 3,284,848	$ 3,169,697	$ 3,090,909
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%	16.50%	16.50%

	2012	2011	2010	2009	2008
Contractually required to contribute	$ 480,000	$ 505,000	$ 491,000	$ 476,000	$ 449,000
Contractually required contributions	480,000	505,000	491,000	476,000	449,000
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
CLO's covered-employee payroll	$ 2,909,091	$ 3,258,065	$ 3,167,742	$ 3,282,759	$ 3,325,926
Contributions as a percentage of covered-employee payroll	16.50%	15.50%	15.50%	14.50%	13.50%

Valuation Date

Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5-year moving average
Inflation	3.00 percent
Salary increase	4.50 to 8.40 percent, including inflation
Investment rate of return	7.25 percent in 2016 and 7.50 percent in 2015, compounded annually, net of investment expense and including inflation
Retirement age	Age 65 for all members hired on or after November 1, 2011 age 62 for members hired prior to November 1, 2011
Mortality	Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)

Other Information

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
(An Agency of the State of Oklahoma)

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, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Fees	$ -	$ -	$ 358,897	$ 358,897
Other interest	-	-	510,152	510,152
Total revenues	-	-	869,049	869,049
Expenditures:				
Administrative	976,713	976,713	903,735	72,978
Legal	956,042	956,042	946,512	9,530
Information technology	1,492,267	1,492,267	916,209	576,058
Real estate management	1,513,947	1,513,947	1,399,352	114,595
Commercial real estate	244,904	244,904	207,797	37,107
Soil conservation	144,649	144,649	161,771	(17,122)
Financial services	1,400,530	1,400,530	1,280,473	120,057
Minerals management	823,657	823,657	767,143	56,514
Royalty compliance	661,817	661,817	678,716	(16,899)
Records management	324,074	324,074	181,839	142,235
Total expenditures	8,538,600	8,538,600	7,443,547	1,095,053
Other financing sources (uses):				
Transfers from permanent fund	-	-	11,091,791	11,091,791
Transfers to permanent fund	-	-	-	-
Total other financing sources and uses	-	-	11,091,791	11,091,791
Net change in fund balance	(8,538,600)	(8,538,600)	4,517,293	10,865,787
Fund balances, beginning of year		10,377,585	22,713,815	21,539,669
Fund balances, end of year		$ 1,838,985	27,231,108	$ 32,405,456
Reconciliation to GAAP basis, accrual adjustments			(735,102)	
Fund balance			$ 26,496,006	

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

Other Supplementary Information
Combining Balance Sheet
General Fund

	Revolving 16	CLO	Total
Assets			
Cash and cash equivalents	$ 3,324,440	$ 24,411,162	$ 27,735,602
Other receivables	210,447	-	210,447
Total assets	$ 3,534,887	$ 24,411,162	$ 27,946,049
Liabilities and Fund Balance			
Liabilities, accounts payable and accrued expenses	$ 872,632	$ -	$ 872,632
Due to permanent fund	577,411	-	577,411
Equity, fund balances, unreserved	2,084,844	24,411,162	26,496,006
Total liabilities and fund balance	$ 3,534,887	$ 24,411,162	$ 27,946,049

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

Other Supplementary Information
Schedule of Distributions to University and College Beneficiaries (Cash Basis)
Year Ended June 30, 2017

University of Oklahoma	$ 9,924,340
Oklahoma State University	8,500,819
Northern Oklahoma College	3,730,570
Langston University	1,998,187
Southeastern Oklahoma State University	1,098,773
University of Central Oklahoma	1,098,773
East Central Oklahoma State University	1,098,773
Northeastern Oklahoma State University	1,098,773
Northwestern Oklahoma State University	1,098,773
Southwestern Oklahoma State University	1,098,773
Cameron University	1,098,773
Oklahoma Panhandle State University	1,098,773
University of Science and Arts	1,098,773
	$ 34,042,873

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)
Year Ended June 30, 2017

Achille	$ 49,090.07
Ada	407,722.94
Adair	161,581.84
Afton	85,009.54
Agra	50,605.48
Albion	11,997.35
Alex	48,525.23
Aline-Cleo	25,000.15
Allen	77,330.83
Allen-Bowden	61,129.37
Altus	543,883.41
Alva	153,959.62
Amber-Pocasset	72,829.79
Anadarko	279,316.99
Anderson	43,606.21
Antlers	152,807.34
Arapaho-Butler	68,280.35
Ardmore	458,120.23
Arkoma	59,865.74
Arnett	32,988.69
Asher	39,274.64
Atoka	143,651.95
Avant	10,851.51
Balko	24,974.34
Banner	31,150.51
Barnsdall	65,990.32
Bartlesville	931,859.30
Battiest	42,437.79
Bearden	14,690.87
Beaver	56,333.02
Beggs	174,980.02
Belfonte	30,998.82
Bennington	46,490.17
Berryhill	195,350.02
Bethany	265,537.95
Bethel	209,195.23
Big Pasture	31,265.10
Billings	12,090.96
Binger-Oney	55,829.52
Bishop	82,866.32
Bixby	941,158.30
Blackwell	208,044.54
Blair	46,596.69
Blanchard	300,695.66
Bluejacket	33,768.18
Boise City	44,994.12
Bokoshe	32,998.37
Subtotal	6,917,725.39

(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, 2017

(Subtotal forwarded)	$ 6,917,725.39
Boone-Apache	88,167.82
Boswell	58,343.89
Bowlegs	42,240.90
Bowring	12,179.72
Braggs	27,942.21
Bray-Doyle	56,226.51
Bridge Creek	231,488.97
Briggs	71,204.64
Bristow	269,998.63
Broken Arrow	2,870,441.08
Broken Bow	264,049.99
Brushy	62,457.56
Buffalo	42,544.30
Buffalo Valley	22,009.68
Burlington	26,699.52
Burns Flat-Dill City	95,599.59
Butner	37,323.50
Byng	276,618.64
Cache	287,205.51
Caddo	75,408.73
Calera	108,616.92
Calumet	40,983.70
Calvin	23,360.48
Cameron	41,048.25
Canadian	71,159.45
Caney	39,571.59
Caney Valley	120,146.25
Canton	59,770.51
Canute	69,158.29
Carnegie	88,301.79
Carney	36,345.51
Cashion	79,803.23
Catoosa	317,852.50
Cave Springs	28,242.37
Cement	39,093.88
Central	78,061.90
Central High	63,057.96
Chandler	183,957.83
Chattanooga	34,596.09
Checotah	233,646.68
Chelsea	141,265.08
Cherokee	64,762.17
Cheyenne	55,413.12
Chickasha	366,088.83
Chisholm	160,095.49
Choctaw-Nicoma Park	853,631.15
Subtotal	15,233,907.80

(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, 2017

(Subtotal forwarded)	$ 15,233,907.80
Chouteau-Mazie	134,493.37
Cimarron	41,861.64
Claremore	612,066.94
Clayton	45,854.32
Cleora	19,274.21
Cleveland	252,632.01
Clinton	353,642.84
Coalgate	111,121.61
Colbert	126,690.40
Colcord	89,226.51
Coleman	27,656.54
Collinsville	417,664.23
Comanche	158,376.72
Commerce	135,505.25
Copan	37,707.60
Cordell	116,013.19
Cottonwood	27,396.71
Covington-Douglas	41,809.99
Coweta	493,518.40
Coyle	49,632.32
Crescent	96,011.12
Crooked Oak	189,314.21
Crowder	73,015.38
Crutcho	57,357.82
Cushing	279,838.26
Cyril	59,021.70
Dahlonegah	19,872.94
Dale	119,726.64
Darlington	35,790.33
Davenport	58,795.77
Davidson	9,658.88
Davis	163,665.33
Deer Creek	878,511.86
Deer Creek-Lamont	27,879.24
Denison	50,218.15
Depew	57,235.17
Dewar	63,525.95
Dewey	191,612.37
Dibble	99,471.24
Dickson	207,158.55
Dover	26,480.05
Drummond	47,802.21
Drumright	85,453.33
Duke	28,954.07
Duncan	554,544.50
Durant	567,016.32
Subtotal	22,573,983.99

(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, 2017

(Subtotal forwarded)	$ 22,573,983.99
Eagletown	24,030.22
Earlsboro	39,060.01
Edmond	3,676,892.93
El Reno	405,492.61
Eldorado	10,719.18
Elgin	344,826.37
Elk City	320,253.92
Elmore City-Pernell	78,725.18
Empire	77,634.22
Enid	1,218,077.09
Erick	41,819.68
Eufaula	177,654.17
Fairland	97,980.04
Fairview	114,586.54
Fanshawe	11,672.97
Fargo	42,447.46
Felt	15,005.55
Fletcher	73,117.06
Flower Mound	51,297.82
Forest Grove	27,178.84
Forgan	24,666.08
Fort Cobb-Broxton	52,576.00
Fort Gibson	282,188.03
Fort Supply	22,459.95
Fort Towson	59,868.99
Fox	46,607.98
Foyil	79,996.91
Frederick	132,235.59
Freedom	12,210.37
Friend	39,820.11
Frink-Chambers	68,506.29
Frontier	59,752.79
Gage	-
Gans	66,974.75
Garber	57,704.77
Geary	59,775.37
Geronimo	49,688.82
Glencoe	55,440.58
Glenpool	417,454.43
Glover	9,044.00
Goodwell	36,903.88
Gore	69,374.55
Gracemont	22,551.93
Graham-Dustin	29,531.85
Grand View	96,571.12
Grandfield	37,179.88
Subtotal	31,311,540.87

(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, 2017

(Subtotal forwarded)	$ 31,311,540.87
Grandview	21,477.10
Granite	42,639.50
Grant	-
Greasy	13,519.20
Greenville	20,210.24
Grove	371,396.80
Grove	71,399.93
Guthrie	532,610.66
Guymon	461,385.04
Gypsy	13,235.18
Haileyville	54,365.74
Hammon	38,007.77
Hanna	16,020.69
Hardesty	13,861.35
Harmony	31,552.36
Harrah	325,316.56
Hartshorne	119,768.60
Haskell	126,296.61
Haworth	86,668.56
Haywood	20,468.45
Healdton	79,112.54
Heavener	160,741.00
Hennessey	141,933.21
Henryetta	190,361.61
Hilldale	286,129.07
Hinton	110,682.64
Hobart	124,526.26
Hodgen	39,599.02
Holdenville	169,567.16
Hollis	81,994.85
Holly Creek	34,799.44
Hominy	90,688.68
Hooker	106,252.62
Howe	90,427.24
Hugo	194,484.99
Hulbert	92,399.34
Hydro-Eakly	69,753.80
Idabel	188,465.34
Indiahoma	33,230.77
Indianola	34,252.34
Inola	210,362.05
Jay	257,513.90
Jenks	1,790,662.81
Jennings	32,590.08
Jones	172,933.65
Justice	27,030.37
Subtotal	38,502,235.99

(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, 2017

(Subtotal forwarded)	$ 38,502,235.99
Justus-Tiawah	80,006.59
Kansas	131,830.53
Kellyville	160,092.24
Kenwood	15,660.79
Keota	69,531.09
Ketchum	91,757.03
Keyes	13,144.80
Keys	127,305.26
Keystone	45,005.45
Kiefer	112,872.64
Kildare	12,087.71
Kingfisher	226,884.64
Kingston	182,808.78
Kinta	32,075.28
Kiowa	48,470.37
Konawa	109,443.20
Krebs	63,648.62
Kremlin-Hillsdale	48,939.99
Lane	40,000.86
Latta	135,450.38
Laverne	76,530.36
Lawton	2,230,993.55
Le Flore	35,028.61
Leach	21,543.29
Leedey	35,916.22
Lexington	169,786.65
Liberty	84,564.11
Liberty	44,521.26
Lindsay	191,896.37
Little Axe	189,186.74
Locust Grove	220,795.59
Lomega	40,788.43
Lone Grove	231,467.96
Lone Star	137,587.10
Lone Wolf	19,172.51
Lookeba Sickles	41,233.85
Lowrey	21,540.03
Lukfata	56,437.95
Luther	132,831.11
Macomb	44,518.02
Madill	265,463.71
Mangum	114,278.32
Mannford	242,143.58
Mannsville	14,577.91
Maple	22,500.28
Marble City	19,911.67
Subtotal	44,954,467.42

(Continued)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2017

(Subtotal forwarded)	$ 44,954,467.42
Marietta	162,956.83
Marlow	218,595.91
Maryetta	103,255.73
Mason	43,517.44
Maud	49,115.88
Maysville	52,409.78
Mcalester	464,028.55
Mccord	43,367.36
Mccurtain	35,604.75
Mcloud	283,601.77
Medford	42,350.64
Meeker	130,077.88
Merritt	120,630.39
Miami	361,000.38
Middleberg	31,102.11
Midway	36,845.81
Midwest City-Del City	2,192,934.17
Milburn	31,634.69
Mill Creek	25,750.60
Millwood	136,676.91
Minco	86,971.98
Moffett	54,259.23
Monroe	18,370.45
Moore	3,637,897.49
Mooreland	83,800.74
Morris	163,876.72
Morrison	90,557.95
Moseley	34,907.55
Moss	42,018.20
Mounds	88,471.22
Mountain View-Gotebo	38,430.59
Moyers	32,306.04
Muldrow	234,279.31
Mulhall-Orlando	38,262.77
Muskogee	907,112.51
Mustang	1,641,297.82
Nashoba	8,516.29
Navajo	75,486.20
New Lima	46,427.22
Newcastle	324,338.54
Newkirk	130,097.26
Ninnekah	82,908.28
Noble	429,690.64
Norman	2,410,268.04
North Rock Creek	93,086.84
Norwood	29,144.51
Subtotal	60,342,709.39

(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, 2017

(Subtotal forwarded)	$ 60,342,709.39
Nowata	142,133.33
Oak Grove	26,331.57
Oakdale	96,538.85
Oaks-Mission	42,257.04
Oilton	43,762.75
Okarche	54,745.01
Okay	60,546.78
Okeene	50,821.74
Okemah	131,774.04
Oklahoma City	7,088,980.73
Oklahoma Union	102,314.83
Okmulgee	229,947.72
Oktaha	111,265.23
Olive	53,716.98
Olustee	22,886.00
Oologah-Talala	276,270.06
Optima	10,795.05
Osage	19,095.06
Osage Hills	23,983.43
Owasso	1,497,381.17
Paden	40,641.56
Panama	113,435.90
Panola	23,726.81
Paoli	38,543.56
Pauls Valley	206,308.06
Pawhuska	123,304.55
Pawnee	110,292.07
Peavine	20,597.57
Peckham	15,659.18
Peggs	34,487.96
Perkins-Tryon	235,008.75
Perry	179,148.59
Piedmont	559,836.30
Pioneer	59,045.91
Pioneer-Pleasant Vale	85,504.96
Pittsburg	24,417.54
Plainview	240,163.39
Pleasant Grove	43,745.00
Pocola	127,450.52
Ponca City	778,785.65
Pond Creek-Hunter	53,808.97
Porter Consolidated	83,632.91
Porum	77,016.14
Poteau	358,348.82
Prague	156,386.86
Preston	92,383.20
Subtotal	74,309,937.49

(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, 2017

(Subtotal forwarded)	$ 74,309,937.49
Pretty Water	40,439.83
Prue	48,392.88
Pryor	412,714.55
Purcell	220,848.84
Putnam City	2,934,917.58
Quapaw	95,762.59
Quinton	73,288.12
Rattan	77,753.65
Ravia	14,301.95
Red Oak	45,560.59
Reydon	18,964.34
Ringling	65,523.90
Ringwood	65,252.79
Ripley	72,920.16
Riverside	25,966.85
Robin Hill	46,104.44
Rock Creek	72,237.50
Rocky Mountain	29,614.13
Roff	50,055.16
Roland	158,270.21
Rush Springs	87,678.84
Ryal	9,494.28
Ryan	38,122.34
Salina	131,175.30
Sallisaw	303,878.18
Sand Springs	797,235.19
Sapulpa	596,738.58
Sasakwa	33,093.59
Savanna	56,802.66
Sayre	113,082.44
Schulter	21,906.37
Seiling	67,912.41
Seminole	268,355.72
Sentinel	54,214.05
Sequoyah	209,122.64
Shady Grove	23,178.10
Shady Point	23,428.24
Sharon-Mutual	47,627.94
Shattuck	55,142.01
Shawnee	585,415.83
Shidler	36,442.33
Silo	133,366.90
Skiatook	388,963.55
Smithville	43,054.28
Snyder	68,614.40
Soper	60,619.39
Subtotal	83,133,493.11

(Continued)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2017

(Subtotal forwarded)	$ 83,133,493.11
South Coffeyville	41,361.35
South Rock Creek	61,732.97
Spavinaw	-
Sperry	182,105.15
Spiro	168,151.82
Springer	33,742.36
Sterling	63,416.22
Stidham	16,225.64
Stigler	209,965.05
Stillwater	959,830.50
Stilwell	194,086.38
Stonewall	74,797.09
Straight	6,334.34
Stratford	109,893.47
Stringtown	38,558.09
Strother	66,003.20
Stroud	125,639.80
Stuart	42,892.89
Sulphur	238,757.74
Sweetwater	21,341.55
Swink	23,922.09
Tahlequah	550,918.19
Talihina	92,181.47
Taloga	15,630.14
Tannehill	24,904.92
Tecumseh	339,996.14
Temple	28,203.63
Tenkiller	46,240.00
Terral	10,978.99
Texhoma	39,424.73
Thackerville	52,914.89
Thomas-Fay-Custer Unified Dist	73,523.75
Timberlake	41,939.10
Tipton	42,579.80
Tishomingo	145,315.86
Tonkawa	110,873.07
Tulsa	6,255,220.81
Tupelo	41,695.41
Turkey Ford	14,025.95
Turner	48,756.01
Turpin	68,725.77
Tushka	65,804.71
Tuskahoma	14,280.93
Tuttle	286,204.89
Twin Hills	54,730.48
Tyrone	37,112.09
Subtotal	94,314,432.54

(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, 2017

(Subtotal forwarded)	$ 94,314,432.54
Union	2,445,148.17
Union City	45,499.28
Valliant	134,033.41
Vanoss	86,294.17
Varnum	44,498.68
Velma-Alma	73,552.80
Verden	41,461.41
Verdigris	194,972.39
Vian	147,573.61
Vici	51,549.57
Vinita	234,900.63
Wagoner	354,643.43
Wainwright	15,626.89
Walters	109,651.37
Wanette	27,086.85
Wapanucka	38,704.97
Warner	121,098.41
Washington	157,356.78
Watonga	121,020.95
Watts	46,144.79
Waukomis	64,917.10
Waurika	62,196.15
Wayne	81,970.63
Waynoka	40,915.92
Weatherford	351,050.99
Webbers Falls	43,736.94
Welch	52,861.64
Weleetka	65,782.13
Wellston	98,622.35
Western Heights	554,726.84
Westville	176,858.53
Wetumka	70,697.89
Wewoka	105,679.73
White Oak	6,762.04
White Rock	17,603.90
Whitebead	62,242.95
Whitefield	20,502.34
Whitesboro	30,574.36
Wickliffe	17,762.05
Wilburton	140,041.78
Wilson	73,514.07
Wilson	35,454.67
Wister	83,642.57
Woodall	74,229.00
Woodland	67,972.11
Woodward	451,040.26
Subtotal	101,656,610.04

(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, 2017

(Subtotal forwarded)	$ 101,656,610.04
Wright City	70,668.87
Wyandotte	122,567.02
Wynnewood	108,687.93
Wynona	17,143.93
Yale	65,887.01
Yarbrough	18,796.49
Yukon	1,271,831.19
Zaneis	43,904.77
Zion	54,507.75
	$ 103,430,605.00

Report Required by
Government Auditing Standards

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*

Independent Auditor's Report

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, 2017, 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 13, 2017. 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. Our opinion was not modified with respect to this matter.

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 13, 2017

RSM