Commissioners of the Land Office State of Oklahoma

Audited Financial Report
June 30, 2018

Contents

Independent Auditor's Report

To the Commissioners of the Land Office,
State of 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, 2018, and the related notes to the financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2018, 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.

Other Matters

Basis of Presentation

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, 2018 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.

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The budgetary comparison information, combining balance sheet-general fund, and the schedules of distributions listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 schedules of distributions are presented on the cash basis of accounting, and presents the distributions when paid rather than when the obligation is incurred. The schedules of distributions provides relevant information that is not provided by the historical accrual basis financial statements, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

This 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 budgetary comparison information, the combining balance sheet of the general fund, and the schedule of distributions (cash basis) are 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, 2018, dated December 7, 2018, 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
December 7, 2018

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

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018

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, 2018. It should be read in conjunction with the financial statements, which begin, on page 9.

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.

Financial Highlights

- Net position is up approximately $43.3 million. The increase was primarily due to the net increase in investment earnings. Of the $62.7 million in mineral revenue, royalties of $46.2 million were added to the permanent fund and $16.5 million in lease bonuses and delay rentals were apportioned.

- Interest from investments was up $2.4 million, from $55.5 million in fiscal year 2017 to $57.9 million in fiscal year 2018.

- Actual cash distributions to beneficiaries were down $2.3 million, from $143.7 million in fiscal year 2017 to $141.5 million in fiscal year 2018, primarily due to a $2.5 million decrease in public building distributions. Of the $141.5 million in cash distributions during fiscal year 2018, $34.2 million were to universities and colleges, $103.4 million to public schools, and $3.9 million to public buildings.

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 $2.46 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

	2018	2017
	(In Thousands)	
Assets:		
Current assets	$ 164,431	$ 144,624
Investments	2,323,385	2,312,098
Other assets	104	-
Capital assets, net	7,041	7,366
Total assets	$ 2,494,961	$ 2,464,088
Deferred outflows of resources	$ 1,053	$ 1,721
Liabilities:		
Current liabilities	$ 36,659	$ 49,259
Noncurrent liabilities	1,634	2,403
Total liabilities	$ 38,293	$ 51,663
Deferred inflows of resources	$ 379	$ 100
Net position:		
Investment in capital assets	$ 7,041	$ 7,366
Restricted	2,421,348	2,383,186
Unrestricted	28,953	23,494
Total net position	$ 2,457,342	$ 2,414,046

Government-Wide Financial Analysis (Continued)
There was an increase of $43.3 million in net position. The key elements of the increase are as follows:

Changes in Net Position

	2018	2017
	(In Thousands)	
Expenses:		
Apportionments	$ 129,394	$ 143,586
Custodial fees	6,971	7,035
Administrative	8,179	7,776
Other	1,542	2,685
Total expenses	146,086	161,082
Revenues:		
Program revenue:		
Investment earnings	99,133	218,777
Mineral revenue	62,699	66,793
Rents	20,259	19,441
Other	7,291	11,685
Total revenues	189,382	316,695
Change in net position	43,296	155,613
Net position, beginning of year	2,414,046	2,258,433
Net position, end of year	$ 2,457,342	$ 2,414,046

Apportionments decreased from $143.6 million during fiscal year 2017 to $129.4 million during fiscal year 2018. The decrease was primarily due to a reduction in lease bonus revenues. Actual cash distributions to beneficiaries declined $2.2 million from $143.7 million in fiscal year 2017 to $141.5 million in fiscal year 2018.

Investment earnings decreased from $218.8 million in fiscal year 2017 to $99.1 million in fiscal year 2018. Most of the decrease was due to decreased market gains compared to the prior year.

Mineral income decreased from $66.8 million in fiscal year 2017 to $62.7 million in fiscal year 2018. The decrease was due to a decrease of 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 $2.45 billion, an increase of $43.8 million in comparison with the prior year. Approximately $2.4 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, 2018, the unassigned fund balance was $28.2 million, or 332 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 $450 thousand, or 5 percent of budgeted general fund expenditures. The unassigned fund balance of the general fund increased by $3.9 million from June 30, 2017. Operating expenses exceeded revenues for the fund by approximately $7.1 million but were offset by net transfers from the permanent fund of approximately $11.0 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 $187.7 million compared to $310.9 million of prior year. Cash apportionments distributed to beneficiaries during 2018 totaled $141.5 million with $34.2 million disbursed to universities and colleges, $103.4 million disbursed to public schools, and $3.9 million to public buildings. This was an decrease of $2.2 million from the cash apportionments distributed during fiscal year 2017.

General Fund Budgetary Highlights
For fiscal year 2018, general fund actual expenditures on a budgetary basis were $7.2 million compared to the budget of $8.5 million.

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, 2018 is approximately $854,000,000 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
Management of 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, 2018

Assets	
Cash and cash equivalents	$ 140,599,848
Restricted cash	449,976
Investments	2,257,275,607
Property held for investment	66,109,779
Accrued interest receivable	11,677,038
Other receivables	11,704,382
Other assets	103,608
Capital assets:	
Land	5,598,543
Other capital assets, net of depreciation	1,442,452
Total assets	2,494,961,233
Deferred outflows of resources:	
Deferred pension plan outflows	1,081,836
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities:	
Accounts payable and accrued expenses	29,047,858
Unearned revenue	7,611,025
Net pension liability	1,145,427
Accrued compensated absences	488,224
Total liabilities	38,292,534
Deferred inflows of resources:	
Deferred pension plan inflows	408,655
Net position:	
Investment in capital assets	7,040,995
Restricted	
Nonexpendable	2,418,819,790
Expendable	2,528,195
Unrestricted	28,952,900
Total net position	$ 2,457,341,880

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, 2018

Expenses:	
Education:	
Apportionments to beneficiaries:	
Universities and colleges	$ 32,627,810
Public schools	93,581,312
Public buildings	3,184,499
Total apportionments	129,393,621
Custodial fees	6,971,054
Administrative expenses	8,180,162
Commercial real estate expense	5,000
Other expenses	946,236
Depreciation	590,319
Total program expenses	146,086,392
Program revenues:	
Investment earnings:	
Interest	57,909,208
Dividends	35,598,531
Net increase in fair value of investments	5,625,508
Net investment gain	99,133,247
Mineral revenue	62,698,947
Rents	16,796,845
Commercial real estate rent	3,461,867
Gain on sale of grant land	684,906
Miscellaneous	4,437,573
Fees	451,934
Other interest	1,716,975
Total program revenues	189,382,294
Change in net position	43,295,902
Net position, beginning of year	2,414,045,978
Net position, ending of year	$ 2,457,341,880

See notes to basic financial statements.

Commissioners of the Land Office
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Balance Sheet—Governmental Funds
June 30, 2018

		General		Permanent		Total
Assets						
Cash and cash equivalents	$	31,551,993	$	109,047,855	$	140,599,848
Restricted cash		449,976		-		449,976
Investments		-		2,257,275,607		2,257,275,607
Property held for investment		-		66,109,779		66,109,779
Accrued interest receivable		-		11,677,038		11,677,038
Other receivables		74,656		11,629,726		11,704,382
Other assets		-		103,608		103,608
Due from other funds		-		925,265		925,265
Total assets	$	32,076,625	$	2,456,768,878	$	2,488,845,503
Liabilities and Fund Balance						
Liabilities:						
Accounts payable and accrued expenses	$	788,014	$	28,259,844	$	29,047,858
Unearned revenue		-		7,611,025		7,611,025
Due to other funds		925,265		-		925,265
Total liabilities		1,713,279		35,870,869		37,584,148
Fund balance:						
Nonspendable, permanent fund corpus		-		2,418,819,790		2,418,819,790
Restricted		449,976		2,078,219		2,528,195
Assigned		1,722,205		-		1,722,205
Unassigned		28,191,165		-		28,191,165
Total fund balance		30,363,346		2,420,898,009		2,451,261,355
Total liabilities and fund balance	$	32,076,625	$	2,456,768,878		
Reconciliation to the Statement of Net Position						
Capital assets not considered financial resources and not included in funds						7,040,995
Compensated absences not due and payable in the current period						(488,224)
Net pension liability not due and payable in the current period						(1,145,427)
Deferred pension inflows						(408,655)
Deferred pension outflows						1,081,836
Net position of governmental activities					$	2,457,341,880

See notes to basic financial statements.

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Permanent	Total
Revenues:			
Investment revenues:			
Interest	$ -	$ 57,909,208	$ 57,909,208
Dividends	-	35,598,531	35,598,531
Net increase in fair value of investments	-	5,625,508	5,625,508
Net investment revenue	-	99,133,247	99,133,247
Fees	451,934	-	451,934
Other interest	516,763	1,200,212	1,716,975
Mineral revenue	-	62,698,947	62,698,947
Rents	-	20,258,712	20,258,712
Miscellaneous revenue	29,976	4,407,597	4,437,573
Total revenues	998,673	187,698,715	188,697,388
Expenditures:			
Administrative expenses	8,002,007	-	8,002,007
Capital outlay	137,321	136,078	273,399
Other	9,056	934,290	943,346
Custodial fees	-	6,971,054	6,971,054
Apportionments to beneficiaries:			
Universities and colleges	-	32,627,810	32,627,810
Public schools	-	93,581,312	93,581,312
Public buildings	-	3,184,499	3,184,499
Total expenditures	8,148,384	137,435,043	145,583,427
Deficiency of revenues over expenditures	(7,149,711)	50,263,672	43,113,961
Other financing sources (uses):			
Transfers in	11,017,051	-	11,017,051
Transfers out	-	(11,017,051)	(11,017,051)
Gain on sale of grant land	-	684,906	684,906
Total other financing sources (uses)	11,017,051	(10,332,145)	684,906
Net change in fund balances	3,867,340	39,931,527	43,798,867
Fund balances, beginning of year	26,496,006	2,380,966,482	2,407,462,488
Fund balances, end of year	$ 30,363,346	$ 2,420,898,009	$ 2,451,261,355

Reconciliation to the Statement of Activities:	
Net change in fund balances	$ 43,798,867
Capital assets purchased	273,399
Increase in liability for compensated absences	(40,512)
Current year depreciation expense	(590,319)
Loss on disposal of capital assets	(7,890)
Pension expense	(707,529)
Current year pension contributions	569,886
Change in net position of governmental activities	$ 43,295,902

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
- Langston 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 of Oklahoma

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 fiscal year 2013, House Bill 2927 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 and local governments 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 into two funds in the financial statements of this report 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 90 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, 2018, the Agency had deferred inflows related to pensions of $408,655. 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, 2018, the Agency had deferred outflows of resources related to pensions of $1,052,590. 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, 2018. This land is held in trust and is stated at $1 per acre in the financial statements at June 30, 2018. 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, 2018, 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, 2018, unpaid and accumulated benefits totaled $488,224. The activity for the year is as follows:

Beginning balance	$ 477,712
Leave earned	212,252
Leave used	(201,740)
End balance	$ 488,224

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, 2018. A description of the new accounting pronouncements that will be applicable to the Authority is provided below:

- 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, 2018, the carrying amount of the Agency's was $103,130,924 and the bank balance was $104,632,785 which 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, 2018, funds with a bank balance of $105,586,573 were invested in the State Treasurer's internal investment pool OK INVEST. Because deposits with the State Treasurer that are invested in OK INVEST are available to be withdrawn on demand, such deposits are classified as cash equivalents for financial reporting purposes.

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.

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.

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

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 $37,918,905 at June 30, 2018 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.

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, 2018, 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, 2018, the Agency had the following investments:

Investments:	
Stocks:	
Common stocks	$ 552,982,766
Pooled equity funds	130,834,577
Equity-based mutual funds—domestic	106,949,318
Equity-based mutual funds—foreign	248,080,530
Fixed income securities:	
U.S. government securities and municipal obligations	369,350,398
Corporate bonds—domestic	600,492,948
Corporate bonds—foreign	169,172,487
Preferred stocks:	
Preferred stock—nonconvertible	79,412,583
Total	$ 2,257,275,607

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, 2018 consisted of the following:

Investment Name	Fair Value	Moody's Rating
U.S. government sponsored:	(In Thousands)	
U.S. Treasury note	$ 67,150	AAA
U.S. Treasury obligation	1,196	AAA
Federal Home Loan Mortgage Corp.	47,237	AAA
Federal National Mortgage Corp.	149,533	AAA
Government National Mortgage Association	18,573	AAA
Other	77,807	AAA
Other	2,045	NA
	363,541	
Municipal obligations:		
Municipal bonds	1,066	A2
Municipal bonds	3,703	AA3
Municipal bonds	1,041	BAA3
	5,810	
Corporate bonds (held in U.S. currency):		
Domestic bonds	11,576	A1
Domestic bonds	8,844	A2
Domestic bonds	27,309	A3
Domestic bonds	5,632	AA1
Domestic bonds	3,349	AA2
Domestic bonds	4,971	AA3
Domestic bonds	32,335	AAA
Domestic bonds	44,837	B1
Domestic bonds	29,794	B2
Domestic bonds	52,366	B3
Domestic bonds	34,495	BA1
Domestic bonds	29,319	BA2
Domestic bonds	41,890	BA3
Domestic bonds	58,973	BAA1
Domestic bonds	77,900	BAA2
Domestic bonds	49,420	BAA3
Domestic bonds	6,161	CAA1
Domestic bonds	2,453	CAA2
Domestic bonds	1,742	CAA3
Domestic bonds	498	D
Domestic bonds	73,503	NA/NR
Domestic bonds	3,126	WR
	600,493	

(Continued)

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

Investment Name	Fair Value	Moody's Rating
Foreign bonds (held in U.S. currency):	(In Thousands)	
Foreign bonds	$ 8,911	A1
Foreign bonds	4,011	A2
Foreign bonds	28,952	A3
Foreign bonds	1,663	AA2
Foreign bonds	3,870	AA3
Foreign bonds	8,621	B1
Foreign bonds	1,080	B2
Foreign bonds	4,529	B3
Foreign bonds	28,815	BA1
Foreign bonds	11,574	BA2
Foreign bonds	4,874	BA3
Foreign bonds	5,578	BAA1
Foreign bonds	22,859	BAA2
Foreign bonds	26,824	BAA3
Foreign bonds	821	CAA1
Foreign bonds	1,072	CAA2
Foreign bonds	530	D
Foreign bonds	4,588	NA/NR
	169,172	
Total fixed income	$ 1,139,016	
Preferred stock—nonconvertible:		
Preferred stock	$ 1,570	A3
Preferred stock	342	B1
Preferred stock	15,395	BA1
Preferred stock	3,263	BA2
Preferred stock	15,366	BAA1
Preferred stock	18,261	BAA2
Preferred stock	12,000	BAA3
Preferred stock	13,216	NA/NR
	$ 79,413	

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, 2018, Federal National Mortgage Corp. represented 6.6 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 (In Thousands)	Effective Duration (Years)
U.S. government securities:		
U.S. Treasury note	$ 67,150	6.66
U.S. Treasury obligation	1,196	30.41
Government National Mortgage Association	18,573	3.62
Other	79,852	4.18
	166,771	
Mortgage-backed securities:		
Federal Home Loan Mortgage Corp.	47,237	2.32
Federal National Mortgage Corp.	149,533	4.28
	196,770	
Municipal obligations, municipal bonds	5,810	11.34
Corporate bonds (held in U.S. currency):		
Domestic bonds	600,493	4.81
Foreign bonds	169,172	5.19
	769,665	
Total fixed income	$ 1,139,016	

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	$ 552,982,766	$ -	$ -	$ 552,982,766
Preferred stock—nonconvertible	76,581,333	2,831,250	-	79,412,583
Fixed income securities:				
Corporate bonds—domestic	-	600,492,948	-	600,492,948
Corporate bonds—foreign	-	169,172,487	-	169,172,487
Municipal bonds	-	5,810,108	-	5,810,108
U.S. government sponsored:				
Federal National Mortgage Corp.	1,569,276	147,919,944	43,316	149,532,536
Federal Home Loan Mortgage Corp.	1,557,310	45,455,211	224,492	47,237,013
Government National Mortgage Assoc.	-	18,573,092	-	18,573,092
U.S. Treasury note	67,150,192	-	-	67,150,192
U.S. Treasury obligation	1,196,163	-	-	1,196,163
Other government	6,693,877	73,157,417	-	79,851,294
Commercial real estate	-	-	66,109,779	66,109,779
Total investments by fair value level	$ 707,730,917	$ 1,063,412,457	$ 66,377,587	1,837,520,961
Investments measured at the net asset value (NAV)				
Pooled equity funds				130,834,577
Equity-based mutual funds—domestic				106,949,318
Equity-based mutual funds—foreign				248,080,530
Total investments measured at fair value				$ 2,323,385,386

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 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 742,840 acres of land belonging to the Trusts as of June 30, 2018, 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, 2018:

Years ending June 30:	
2019	$ 12,810,013
2020	9,863,282
2021	6,887,959
2022	4,365,910
2023	1,052,175
	$ 34,979,339

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, 2018, the Agency owned the following property which is carried at fair value and leased to multiple tenants:

Property	Fair Value
5005 N. Lincoln	$ 3,450,000
119 N. Robinson Ave	12,200,000
City Place (204 N. Robinson Ave 4th, 8th & 9th Floor)	4,625,000
3017 N. Stiles	2,903,915
400 NE 50th Street	450,000
City Place (204 N. Robinson Ave 10th Floor)	1,440,000
921 NE 23rd Street	4,535,300
5727 South Lewis Avenue, Tulsa	12,556,507
Lincoln Corridor properties	5,289,907
5050 N. Lincoln	7,931,538
Memorial & MacArthur tract	1,390,000
10625 and 10630 NW 4th St., Yukon	4,507,441
15024 W. Highway 66, Yukon	2,105,171
4734 Kickapoo, Shawnee	2,725,000
	$ 66,109,779

The following is a schedule of the future minimum rent due to the Agency under its noncancelable leases at June 30, 2018:

Years ending June 30:	
2019	$ 4,368,327
2020	3,256,840
2021	2,349,076
2022	1,353,761
2023	1,036,229
Thereafter	806,309
	$ 13,170,542

Note 5. Other Receivables

Other receivables at June 30, 2018 consisted of the following:

Accrued mineral revenue	$ 11,577,682
Surface leases	653,653
Gas marketing	74,656
Commercial RE Investments	39,742
Allowance for doubtful accounts	(641,351)
	$ 11,704,382

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, 2018 was approximately $677,000.

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.

Note 7. Employee Benefit Plans (Continued)

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

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

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

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

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

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

For 2018, *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, 2018 was approximately $571,262 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.

Note 7. Employee Benefit Plans (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2018, the Agency reported a liability of $1,145,427 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017, the Agency's proportion was 0.211855950 percent which is an increase of 0.014769740 percent from the prior fiscal year.

For the year ended June 30, 2018, the Agency recognized pension expense of $707,529. At June 30, 2018, 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	$ 511,950	$ -
Differences between expected and actual experience	-	225,565
Net difference between projected and actual investment earnings on pension plan investments	-	29,246
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	153,844
Total deferred amounts to be recognized in pension expense in future periods	511,950	408,655
Agency contributions subsequent to the measurement date	569,886	-
Total deferred amounts related to pension	$ 1,081,836	$ 408,655

Deferred pension outflows resulting from the Agency's employer contributions subsequent to the measurement date, totaling $569,886 at June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Deferred inflows related to the difference between projected and actual investment earnings are being amortized over five years, beginning in the year each originated. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions 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 are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

Note 7. Employee Benefit Plans (Continued)

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows at June 30:

	June 30, 2018 Deferred Outflows (Inflows)
2019	$ 23,390
2020	212,860
2021	56,505
2022	(189,460)
	$ 103,295

Actuarial assumptions: The total pension liability as of June 30, 2018 was determined based on an actuarial valuation prepared as of July 1, 2017, using the following actuarial assumptions:

- Investment return—7.00 percent compounded annually net of investment expense and including inflation
- Salary increases—3.5 percent to 9.5 percent per year including inflation
- Mortality rates—Active participants and nondisabled pensioners—RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate—2.75 percent
- Payroll growth—3.50 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, 2017 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.

Note 7. Employee Benefit Plans (Continued)

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, 2017, are summarized in the following table:

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

Discount rate: The discount rate used to measure the total pension liability was 7.00 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commissioners of the Land Office's proportionate share of the net pension liability (asset)	$ 3,385,357	$ 1,145,427	$ (751,268)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements, June 30, 2017 CAFR, available at http://www.opers.ok.gov/Websites/opers/images/pdfs/CAFR-2017-OPERS.pdf

Note 7. Employee Benefit Plans (Continued)

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, 2018 and 2017. The Agency believes that it has no liabilities in respect to the State's plan.

Note 8. Capital Assets

Capital asset activity for fiscal year 2018 is as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated, land	$ 5,598,703	$ -	$ (160)	$ 5,598,543
Capital assets, being depreciated:				
Furniture, fixture and equipment	1,753,614	96,665	(119,601)	1,730,678
Land improvements	2,210,615	176,734	-	2,387,349
Total capital assets, being depreciated	3,964,229	273,399	(119,601)	4,118,027
Less accumulated depreciation, for:				
Furniture, fixture and equipment	1,080,299	307,013	(111,871)	1,275,441
Land improvements	1,116,828	283,306	-	1,400,134
Total accumulated depreciation	2,197,127	590,319	(111,871)	2,675,575
Total capital assets being depreciated, net	1,767,102	(316,920)	(7,730)	1,442,452
Governmental activities, capital assets, net	$ 7,365,805	$ (316,920)	$ (7,890)	$ 7,040,995

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, 2018, total rent expense for these items was approximately $393,000 for office space and $152,000 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
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Required Supplementary Information
Schedule of the Agency's Proportionate Share of the Net Pension Liability
Oklahoma Public Employees Retirement Plan

	June 30,			
	2018	2017	2016	2015
Measurement date	July 1, 2017	July 1, 2016	July 1, 2015	July 1, 2014
Agency's proportion of the net pension liability	0.21185560%	0.19708621%	0.19002899%	0.19323089%
Agency's proportionate share of the net pension liability	$ 1,145,427	$ 1,955,550	$ 683,503	$ 353,010
Agency's covered-employee payroll	3,462,194	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	33%	60%	21%	11%
Plan fiduciary net position as a percentage of the total pension liability	94.28%	89.47%	96.00%	97.90%

Notes:

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the Agency wil present information fo those years for which information is available.

See notes to required supplementary information.

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

	2018	2017	2016	2015	2014
Contractually required contributions	$ 571,262	$ 535,672	$ 588,000	$ 542,000	$ 523,000
Actual contributions	571,262	535,672	588,000	542,000	523,000
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
CLO's covered payroll	$ 3,462,194	$ 3,246,497	$ 3,563,636	$ 3,284,848	N/A
Contributions as a percentage of covered payroll	16.50%	16.50%	16.50%	16.50%	N/A

	2013	2012	2011	2010	2009
Contractually required to contribute	$ 510,000	$ 480,000	$ 505,000	$ 491,000	$ 476,000
Contractually required contributions	510,000	480,000	505,000	491,000	476,000
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -
CLO's covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

N/A—Information not available

See notes to required supplementary information.

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Required Supplementary Information
Notes to the Required Supplementary Information
Oklahoma Public Employees Retirement Plan

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	2.75 percent for 2017, 3.00 percent for 2016 and 2015
Salary increase	3.50 to 9.50 percent for 2017 and 4.50 to 8.40 percent for 2016 and 2015, including inflation
Investment rate of return	7.00 percent in 2017, 7.25 percent for 2016 and 7.50 percent for 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	For 2017, active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years). For 2016 and 2015, 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
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Other Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget to Actual
General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

	Budgeted Amounts			Variance to Final
	Original	Final	Actual	Budget
Revenues:				
Fees	$ -	$ -	$ 452,363	$ 452,363
Other interest	-	-	516,763	516,763
Total revenues	-	-	969,126	969,126
Expenditures:				
Administrative	1,069,918	1,069,918	969,360	100,558
Legal	958,980	958,980	627,137	331,843
Information technology	1,282,603	1,282,603	998,482	284,121
Real estate management	1,551,254	1,551,254	1,349,133	202,121
Commercial real estate	249,780	249,780	200,033	49,747
Soil conservation	147,372	147,372	144,453	2,919
Financial services	1,454,739	1,454,739	1,284,375	170,364
Minerals management	814,154	814,154	776,329	37,825
Royalty compliance	728,399	728,399	667,715	60,684
Records management	281,401	281,401	181,529	99,872
Total expenditures	8,538,600	8,538,600	7,198,546	1,340,054
Other financing sources (uses):				
Transfers from permanent fund	-	-	11,017,051	11,017,051
Total other financing sources and uses	-	-	11,017,051	11,017,051
Net change in fund balance	(8,538,600)	(8,538,600)	4,787,631	10,646,123
Fund balances, beginning of year		1,838,985	26,496,006	21,539,669
Fund balances, end of year		$ (6,699,615)	31,283,637	$ 32,185,792
Reconciliation to GAAP basis, accrual adjustments			(920,291)	
Fund balance			$ 30,363,346	

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Other Supplementary Information
Combining Balance Sheet—General Fund
Year Ended June 30, 2018

	Revolving 16	CLO	Total
Assets			
Cash and cash equivalents	$ 3,787,840	$ 28,214,129	$ 32,001,969
Other receivables	74,656	-	74,656
Total assets	$ 3,862,496	$ 28,214,129	$ 32,076,625
Liabilities and Fund Balance			
Liabilities, accounts payable and accrued expenses	$ 788,014	$ -	$ 788,014
Due to permanent fund	925,265	-	925,265
Fund balance	2,149,217	28,214,129	30,363,346
Total liabilities and fund balance	$ 3,862,496	$ 28,214,129	$ 32,076,625

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Other Supplementary Information
Schedule of Distributions to University and College Beneficiaries (Cash Basis)
Year Ended June 30, 2018

University of Oklahoma	$ 10,166,970
Oklahoma State University	8,979,529
Northern Oklahoma College	2,842,770
Langston University	2,172,354
Southeastern Oklahoma State University	1,116,707
University of Central Oklahoma	1,116,707
East Central Oklahoma State University	1,116,707
Northeastern Oklahoma State University	1,116,707
Northwestern Oklahoma State University	1,116,707
Southwestern Oklahoma State University	1,116,707
Cameron University	1,116,707
Oklahoma Panhandle State University	1,116,707
University of Science and Arts of Oklahoma	1,116,707
	$ 34,211,986

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis)
Year Ended June 30, 2018

Achille	$ 53,719.29
Ada	406,631.70
Adair	166,613.74
Afton	81,417.60
Agra	51,301.47
Albion	8,631.98
Alex	47,545.68
Aline-Cleo	23,684.35
Allen	80,014.65
Allen-Bowden	52,170.19
Altus	526,013.14
Alva	157,064.31
Amber-Pocasset	73,729.04
Anadarko	271,368.18
Anderson	44,354.97
Antlers	158,541.93
Arapaho-Butler	71,462.25
Ardmore	441,045.95
Arkoma	63,435.94
Arnett	30,643.84
Asher	43,312.51
Atoka	139,486.98
Avant	10,440.85
Balko	24,848.60
Banner	35,424.22
Barnsdall	63,768.80
Bartlesville	926,570.30
Battiest	44,436.15
Bearden	18,894.22
Beaver	56,465.07
Beggs	169,784.93
Belfonte	29,274.99
Bennington	51,483.31
Berryhill	190,138.94
Bethany	266,630.02
Bethel	206,998.56
Big Pasture	31,429.74
Billings	11,439.49
Binger-Oney	53,086.00
Bishop	87,643.12
Bixby	956,600.35
Blackwell	198,434.80
Blair	45,225.33
Blanchard	310,085.40
Bluejacket	32,175.09
Boise City	40,568.34
Subtotal	6,854,036.31

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 6,854,036.31
Bokoshe	32,719.03
Boone-Apache	87,030.98
Boswell	55,494.06
Bowlegs	40,750.20
Bowring	11,475.21
Braggs	27,449.88
Bray-Doyle	53,795.59
Bridge Creek	239,853.99
Briggs	75,529.80
Bristow	273,495.32
Broken Arrow	2,888,435.47
Broken Bow	258,597.20
Brushy	66,514.60
Buffalo	45,796.91
Buffalo Valley	23,127.41
Burlington	27,347.59
Burns Flat-Dill City	90,997.85
Butner	38,780.58
Byng	278,184.77
Cache	302,491.03
Caddo	78,442.85
Calera	117,944.36
Calumet	37,945.96
Calvin	23,250.80
Cameron	46,363.59
Canadian	81,823.55
Caney	35,602.85
Caney Valley	124,233.26
Canton	57,578.98
Canute	67,833.13
Carnegie	89,861.21
Carney	39,790.55
Cashion	80,922.34
Catoosa	314,355.93
Cave Springs	29,911.53
Cement	36,320.55
Central	78,355.15
Central High	61,325.03
Chandler	180,164.09
Chattanooga	36,862.88
Checotah	225,652.47
Chelsea	131,056.35
Cherokee	62,416.20
Cheyenne	56,533.27
Chickasha	354,023.09
Chisholm	174,743.96
Subtotal	14,395,217.71

(Continued)

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 14,395,217.71
Choctaw-Nicoma Park	872,459.69
Chouteau-Mazie	136,637.25
Cimarron	38,222.00
Claremore	596,630.99
Clayton	48,809.00
Cleora	19,473.92
Cleveland	262,216.60
Clinton	340,956.59
Coalgate	108,120.54
Colbert	129,200.35
Colcord	88,411.18
Coleman	25,545.21
Collinsville	431,613.48
Comanche	159,581.17
Commerce	134,324.99
Copan	37,298.07
Cordell	110,244.44
Cottonwood	31,860.05
Covington-Douglas	43,026.73
Coweta	493,594.49
Coyle	52,150.71
Crescent	93,139.59
Crooked Oak	181,076.65
Crowder	66,938.42
Crutcho	53,224.04
Cushing	281,716.49
Cyril	59,279.10
Dahlonegah	20,886.60
Dale	122,950.47
Darlington	38,140.79
Davenport	57,356.52
Davidson	889.10
Davidson	7,500.91
Davis	161,480.97
Deer Creek	919,347.75
Deer Creek-Lamont	26,537.32
Denison	48,588.15
Depew	60,574.84
Dewar	64,160.13
Dewey	188,094.61
Dibble	98,046.64
Dickson	205,210.80
Dover	23,932.78
Drummond	54,438.61
Drumright	87,092.65
Duke	28,040.94
Subtotal	21,504,240.03

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 21,504,240.03
Duncan	537,283.73
Durant	569,989.77
Eagletown	25,631.25
Earlsboro	41,800.78
Edmond	3,758,733.91
El Reno	410,134.18
Eldorado	
Elgin	355,302.62
Elk City	314,529.67
Elmore City-Pernell	80,873.61
Empire	83,341.76
Enid	1,214,249.27
Erick	39,683.38
Eufaula	177,782.03
Fairland	97,114.61
Fairview	118,324.34
Fanshawe	13,264.60
Fargo	35,407.98
Felt	15,958.43
Fletcher	68,685.60
Flower Mound	53,901.14
Forest Grove	26,579.56
Forgan	23,104.66
Fort Cobb-Broxton	51,986.71
Fort Gibson	280,782.81
Fort Supply	21,094.44
Fort Towson	60,110.44
Fox	47,261.54
Foyil	79,683.40
Frederick	131,856.84
Freedom	11,195.89
Friend	41,972.89
Frink-Chambers	70,353.19
Frontier	57,429.59
Gans	67,974.37
Garber	57,642.33
Geary	55,097.86
Geronimo	50,401.91
Glencoe	50,918.27
Glenpool	417,241.45
Glover	10,241.15
Goodwell	36,742.73
Gore	76,638.84
Gracemont	25,775.76
Graham-Dustin	28,649.86
Grand View	92,280.63
Subtotal	31,389,249.81

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 31,389,249.81
Grandfield	35,313.79
Grandview	22,370.73
Granite	38,819.54
Greasy	14,948.44
Greenville	18,088.84
Grove	379,137.97
Grove	74,492.21
Guthrie	521,593.19
Guymon	467,250.39
Gypsy	14,263.20
Haileyville	47,954.88
Hammon	38,459.05
Hanna	13,667.30
Hardesty	14,829.90
Harmony	35,497.29
Harrah	337,892.54
Hartshorne	122,323.68
Haskell	130,034.98
Haworth	84,104.95
Haywood	17,996.27
Healdton	81,156.16
Heavener	158,624.74
Hennessey	140,675.55
Henryetta	187,222.64
Hilldale	284,309.65
Hinton	110,721.82
Hobart	123,573.99
Hodgen	38,813.06
Holdenville	165,512.81
Hollis	83,793.19
Holly Creek	35,852.89
Hominy	91,153.75
Hooker	103,825.65
Howe	90,466.88
Hugo	188,128.72
Hulbert	88,630.41
Hydro-Eakly	70,804.60
Idabel	182,606.26
Indiahoma	30,637.34
Indianola	35,852.89
Inola	210,416.62
Jay	251,420.12
Jenks	1,838,799.43
Jennings	31,748.00
Jones	174,982.64
Justice	28,708.32
Subtotal	38,646,727.08

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 38,646,727.08
Justus-Tiawah	83,882.50
Kansas	136,672.96
Kellyville	153,193.23
Kenwood	14,446.71
Keota	62,680.88
Ketchum	93,714.43
Keyes	12,826.19
Keys	121,580.02
Keystone	49,882.30
Kiefer	121,604.35
Kildare	13,964.45
Kingfisher	230,907.01
Kingston	184,309.59
Kinta	29,628.98
Kiowa	49,127.25
Konawa	103,565.88
Krebs	67,269.65
Kremlin-Hillsdale	47,253.43
Lane	40,488.76
Latta	133,254.91
Laverne	77,328.94
Lawton	2,207,296.82
Le Flore	34,139.84
Leach	21,758.54
Leedey	33,733.88
Lexington	167,505.17
Liberty	48,695.34
Liberty	85,059.71
Lindsay	190,458.81
Little Axe	190,613.08
Locust Grove	218,075.94
Lomega	38,571.11
Lone Grove	223,354.83
Lone Star	134,018.09
Lone Wolf	18,731.83
Lookeba Sickles	41,729.34
Lowrey	23,966.89
Lukfata	56,791.46
Luther	119,810.08
Macomb	41,630.28
Madill	268,174.21
Mangum	111,142.39
Mannford	236,695.76
Mannsville	14,841.29
Maple	25,170.09
Marble City	15,344.67
Subtotal	45,041,618.95

(Continued)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 45,041,618.95
Marietta	168,131.94
Marlow	218,296.79
Maryetta	101,919.52
Mason	42,326.90
Maud	46,772.77
Maysville	51,361.56
Mcalester	458,548.61
Mccord	52,990.20
Mccurtain	35,494.06
Mcloud	275,093.12
Medford	42,122.30
Meeker	132,337.50
Merritt	121,938.85
Miami	344,179.79
Middleberg	34,055.39
Midway	35,732.75
Midwest City-Del City	2,160,743.25
Milburn	30,082.03
Mill Creek	26,535.68
Millwood	131,459.02
Minco	89,128.88
Moffett	54,617.22
Monroe	18,855.25
Moore	3,715,382.43
Mooreland	83,541.49
Morris	164,178.07
Morrison	93,868.68
Moseley	30,799.73
Moss	43,049.45
Mounds	89,003.87
Mountain View-Gotebo	37,095.10
Moyers	29,028.19
Muldrow	226,478.98
Mulhall-Orlando	39,917.23
Muskogee	899,511.72
Mustang	1,683,646.30
Nashoba	6,636.35
Navajo	83,630.80
New Lima	46,173.61
Newcastle	335,143.50
Newkirk	128,580.10
Ninnekah	80,345.91
Noble	433,071.61
Norman	2,448,722.62
North Rock Creek	94,560.42
Norwood	26,608.76
Subtotal	60,533,317.25

(Continued)

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 60,533,317.25
Nowata	135,318.74
Oak Grove	25,322.74
Oakdale	102,218.13
Oaks-Mission	35,565.50
Oilton	44,471.91
Okarche	58,197.63
Okay	64,124.41
Okeene	52,457.62
Okemah	127,589.57
Oklahoma City	7,077,683.63
Oklahoma Union	102,667.92
Okmulgee	220,134.88
Oktaha	115,723.04
Olive	55,396.63
Olustee	
Olustee-Eldorado	30,661.69
Oologah-Talala	271,067.79
Optima	9,989.45
Osage	18,673.39
Osage Hills	25,033.70
Owasso	1,511,253.57
Paden	40,316.65
Panama	110,593.55
Panola	22,580.18
Paoli	41,393.24
Pauls Valley	201,776.54
Pawhuska	120,423.87
Pawnee	111,416.80
Peavine	19,326.15
Peckham	13,832.92
Peggs	34,784.46
Perkins-Tryon	233,498.53
Perry	175,474.65
Piedmont	593,126.90
Pioneer	59,732.12
Pioneer-Pleasant Vale	85,287.05
Pittsburg	22,416.18
Plainview	242,817.37
Pleasant Grove	42,403.21
Pocola	131,316.14
Ponca City	750,319.48
Pond Creek-Hunter	49,445.53
Porter Consolidated	80,639.81
Porum	75,315.45
Poteau	353,295.66
Prague	161,896.67
Subtotal	74,390,298.30

(Continued)

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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2018

(Subtotal forwarded)	$ 74,390,298.30
Preston	85,322.77
Pretty Water	43,617.80
Prue	50,512.33
Pryor	408,252.21
Purcell	220,204.73
Putnam City	2,954,097.60
Quapaw	97,432.88
Quinton	73,751.76
Rattan	80,643.06
Ravia	13,037.28
Red Oak	47,945.15
Reydon	17,887.48
Ringling	65,524.10
Ringwood	64,791.78
Ripley	72,188.06
Riverside	28,893.43
Robin Hill	49,164.60
Rock Creek	74,243.76
Rocky Mountain	30,869.54
Roff	50,436.01
Roland	150,655.30
Rush Springs	81,383.49
Ryal	9,909.88
Ryan	34,524.67
Salina	133,021.12
Sallisaw	300,664.30
Sand Springs	786,984.28
Sapulpa	601,451.98
Sasakwa	29,111.01
Savanna	59,777.59
Sayre	111,998.11
Schulter	20,422.19
Seiling	69,875.83
Seminole	252,676.93
Sentinel	49,692.32
Sequoyah	209,387.13
Shady Grove	24,538.45
Shady Point	25,702.70
Sharon-Mutual	45,436.40
Shattuck	55,804.22
Shawnee	592,504.99
Shidler	37,913.46
Silo	138,499.71
Skiatook	385,657.42
Smithville	43,544.70
Snyder	67,406.05
Subtotal	83,237,658.86

(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, 2018

(Subtotal forwarded)	$ 83,237,658.86
Soper	58,541.88
South Coffeyville	39,496.63
South Rock Creek	60,712.87
Sperry	180,742.17
Spiro	165,459.22
Springer	35,791.20
Sterling	61,018.14
Stidham	16,434.21
Stigler	211,192.78
Stillwater	956,929.97
Stilwell	186,435.12
Stonewall	72,228.66
Straight	5,710.80
Stratford	108,677.49
Stringtown	37,241.22
Strother	66,215.83
Stroud	119,621.73
Stuart	40,217.62
Sulphur	233,761.60
Sweetwater	21,245.46
Swink	21,909.56
Tahlequah	550,147.23
Talihina	89,489.38
Taloga	13,149.31
Tannehill	24,374.45
Tecumseh	332,930.30
Temple	29,807.58
Tenkiller	44,973.64
Terral	11,173.18
Texhoma	39,618.43
Thackerville	51,702.54
Thomas-Fay-Custer Unified Dist	76,456.97
Timberlake	41,161.03
Tipton	43,098.18
Tishomingo	144,989.94
Tonkawa	116,057.56
Tulsa	6,208,218.07
Tupelo	41,485.77
Turkey Ford	14,932.21
Turner	47,781.14
Turpin	67,198.22
Tushka	65,970.64
Tuskahoma	13,855.65
Tuttle	290,470.23
Twin Hills	55,269.98
Tyrone	36,120.82
Subtotal	94,387,675.47

(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, 2018

(Subtotal forwarded)	$ 94,387,675.47
Union	2,413,761.17
Union City	48,622.26
Valliant	133,142.89
Vanoss	86,813.40
Varnum	45,152.26
Velma-Alma	70,582.17
Verden	40,279.31
Verdigris	199,556.83
Vian	142,383.79
Vici	51,423.25
Vinita	231,418.49
Wagoner	359,006.46
Wainwright	13,764.73
Walters	102,624.07
Wanette	23,513.86
Wapanucka	40,157.54
Warner	124,353.41
Washington	160,368.69
Watonga	113,631.63
Watts	44,434.54
Waukomis	69,640.38
Waurika	61,774.82
Wayne	81,136.68
Waynoka	37,567.61
Weatherford	349,517.12
Webbers Falls	41,057.11
Welch	49,380.55
Weleetka	65,163.63
Wellston	92,762.90
Western Heights	523,426.44
Westville	175,302.53
Wetumka	67,683.73
Wewoka	105,114.93
White Oak	7,409.28
White Rock	17,751.08
Whitebead	61,217.87
Whitefield	22,852.98
Whitesboro	33,590.97
Wickliffe	15,839.91
Wilburton	131,949.43
Wilson	37,900.47
Wilson	68,362.47
Wister	83,054.36
Woodall	73,188.32
Woodland	66,715.97
Woodward	440,943.65
Subtotal	101,612,971.41

(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, 2018

(Subtotal forwarded)	$ 101,612,971.41
Wright City	71,532.06
Wyandotte	125,278.95
Wynnewood	108,216.36
Wynona	17,268.82
Yale	65,173.38
Yarbrough	20,019.50
Yukon	1,312,107.57
Zaneis	45,226.96
Zion	52,809.99
	$ 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

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, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 7, 2018. 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Oklahoma City, Oklahoma
December 7, 2018

RSM