COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA

(An Agency of the State of Oklahoma)

Basic Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
210 Park Avenue, Suite 2850
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Independent Auditors' Report

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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 from 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 auditors' 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 3 – 7 and 27 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining balance sheet and schedules of distributions listed as supplementary information in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet and schedules of distributions listed as supplementary information in the Table of Contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet and schedules of distributions are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

KPMG LLP

Oklahoma City, Oklahoma
October 22, 2014

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, 2014. It should be read in conjunction with the financial statements, which begin, on page 8.

Financial Highlights

- Net position is up approximately $283.2 million. The increase was primarily due to the net increase in fair value of investments. Of the $105.1 million in mineral revenue, royalties of $75.2 million were added to the permanent fund and $29.9 million in lease bonuses and delay rentals were apportioned.
- Interest from investments was down $1.3 million, from $56.5 million in fiscal year 2013 to $55.2 million in fiscal year 2014.
- Actual cash distributions to beneficiaries were down $.2 million, from $134.3 million in fiscal year 2013 to $134.1 million in fiscal year 2014 primarily due to the decrease in late interest settlements. Of the $134.1 million in cash distributions during fiscal year 2014, $32.8 million were to universities and colleges, $93.6 million were to public schools, and $7.7 million were to public buildings.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the Agency's assets, deferred outflows, liabilities, and deferred inflows and the difference between them (Net Position). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 26 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 $2.36 billion at the close of the most recent fiscal year.

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

Net Position

(In thousands)

		2014	2013
Current assets	$	2,386,037	2,113,736
Capital assets, net		7,842	6,905
Total assets	$	2,393,879	2,120,641
Current liabilities	$	34,316	44,229
Invested in capital assets	$	7,842	6,905
Restricted		2,310,448	2,036,649
Unrestricted		41,273	32,858
Total net position	$	2,359,563	2,076,412

There was an increase of $283.2 million in net position, the key elements of the increase are as follows:

Changes in Net Position

(In thousands)

		2014	2013
Expenses:			
Apportionments	$	124,375	119,526
Custodial fees		7,058	7,587
Administrative		5,506	7,317
Other		1,042	738
Total expenses		137,981	135,168
Revenues:			
Program revenue:			
Investment earnings	$	293,037	188,681
Mineral revenue		105,072	90,439
Rents		12,058	11,062
Other		10,965	10,224
Total revenues		421,132	300,406
Change in net position		283,151	165,238
Net position at beginning of year		2,076,412	1,911,174
Net position at end of year	$	2,359,563	2,076,412

(Continued)

- Apportionments increased from $119.5 million in fiscal year 2013 to $124.4 million during fiscal year 2014. The increase was primarily due to the increase in mineral lease bonus revenue. Actual cash distributions to beneficiaries were down $.2 million, from $134.3 million in fiscal year 2013 to $134.1 million in fiscal year 2014.
- Investment earnings increased from $188.7 million in fiscal year 2013 to $293.0 million in fiscal year 2014. Most of the increase was due to the net fair value adjustment of the Agency's investments.
- Mineral income increased from $90.4 million in fiscal year 2013 to $105.1 million in fiscal year 2014. The increase was due to an incline in mineral leasing activity for the fiscal year.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported a combined ending fund balance of $2.4 billion, an increase of $300 million in comparison with the prior year. Approximately $2.3 billion is nonspendable or restricted to indicate that it is not available for general purposes because it has already been committed to beneficiaries. The remainder of the fund balance is unassigned which is available for spending at the Agency's discretion.

The general fund is the administrative fund of the Agency. At June 30, 2014, the unassigned fund balance was $41.7 million, or 368% of budgeted general fund expenditures. The unassigned fund balance of the general fund increased by $8.4 million from June 30, 2013 primarily due to an increase in the Agency's 6% operational fees derived from the trust fund revenues.

The entire balance of the permanent fund is for the use and benefit of common education and thirteen Oklahoma colleges and universities. Total revenue, which includes the increase in fair market value of investments, was $420.0 million compared to $299.5 million of prior year. Cash apportionments distributed to beneficiaries during 2014 totaled $134.1 million with $32.8 million disbursed to universities and colleges, $93.6 million disbursed to public schools, and $7.7 million to public buildings. This was a decrease of $.2 million from the cash apportionments distributed during fiscal year 2013.

General Fund Budgetary Highlights

For fiscal year 2014, general fund actual expenditures (including transfers) on a budgetary basis were $6.2 million compared to the budget of $11.3 million. The $5.1 million variance was due to carryover funds from previous years that are set aside for onetime expenditures.

Description of Current and Expected Conditions

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

Contacting the Agency's Financial Management

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

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

Statement of Net Position

June 30, 2014

Current assets:	
Cash and cash equivalents	$ 148,441,176
Investments	2,204,299,487
Property held for investments	1,900,000
Loans receivable	1,199
Accrued interest receivable	11,939,193
Other receivables	19,456,060
Total current assets	2,386,037,115
Noncurrent assets:	
Capital assets, net	2,243,354
Land	5,598,805
Total noncurrent assets	7,842,159
Total assets	$ 2,393,879,274
Current liabilities:	
Accounts payable and accrued expenses	$ 28,010,515
Unearned revenue	6,305,108
Total current liabilities	34,315,623
Net position:	
Invested in capital assets	7,842,159
Restricted for education:	
Nonexpendable	2,303,031,457
Expendable	7,416,857
Unrestricted	41,273,178
Total net position	$ 2,359,563,651

See accompanying notes to basic financial statements.

COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA
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Statement of Activities

June 30, 2014

Expenses:	
Education:	
Apportionments to beneficiaries:	
Universities and colleges	$ 30,452,062
Public schools	87,985,415
Public buildings	5,937,625
Total apportionments	124,375,102
Custodial fees	7,058,262
Administrative expenses	5,505,552
Other expenses	821,419
Depreciation/amortization	220,942
Total program expenses	137,981,277
Program revenues:	
Investment earnings:	
Interest	55,232,935
Dividends	23,125,573
Net increase in fair value of investments	214,678,894
Net investment gain	293,037,402
Mineral revenue	105,071,569
Rents	12,058,454
Gain on sale	2,530,445
Miscellaneous	6,441,939
Fees	425,679
Other interest	1,567,130
Total program revenues	421,132,618
Change in net position	283,151,341
Net position at beginning of year	2,076,412,310
Net position at end of year	$ 2,359,563,651

See accompanying notes to basic financial statements.

COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA
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Balance Sheet – Governmental Funds

June 30, 2014

		General fund	Permanent fund	Total
Assets:				
Cash and cash equivalents	$	41,635,770	106,805,406	148,441,176
Investments		—	2,204,299,487	2,204,299,487
Property Held for Investment		—	1,900,000	1,900,000
Loans receivable		—	1,199	1,199
Accrued interest receivable		—	11,939,193	11,939,193
Other receivables		127,528	19,328,532	19,456,060
Total assets	$	41,763,298	2,344,273,817	2,386,037,115
Liabilities:				
Accounts payable and accrued expenses	$	103,581	27,520,395	27,623,976
Unearned revenue		—	6,305,108	6,305,108
Total liabilities		103,581	33,825,503	33,929,084
Fund balance:				
Nonspendable:				
Permanent fund corpus		—	2,303,031,457	2,303,031,457
Restricted for education		—	7,416,857	7,416,857
Unassigned		41,659,717	—	41,659,717
Total fund balance		41,659,717	2,310,448,314	2,352,108,031
Total liabilities and fund balance	$	41,763,298	2,344,273,817	
Capital assets not considered financial resources and not included in funds				7,842,159
Compensated absences not due and payable in the current period				(386,539)
Net position of governmental activities				$ 2,359,563,651

See accompanying notes to basic financial statements.

COMMISSIONERS OF THE LAND OFFICE
STATE OF OKLAHOMA
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Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2014

	General fund	Permanent fund	Total
Revenues:			
Investment revenues:			
Interest	$ —	55,232,935	55,232,935
Dividends	—	23,125,573	23,125,573
Net increase in fair value of investments	—	214,678,894	214,678,894
Net investment revenue	—	293,037,402	293,037,402
Fees	13,478,499	—	13,478,499
Other interest	698,106	869,024	1,567,130
Mineral revenue	—	105,071,569	105,071,569
Rents	—	12,058,454	12,058,454
Gain on sale of land	—	630,467	630,467
Gain on sale of investment properties	—	1,899,978	1,899,978
Miscellaneous revenue	—	6,441,939	6,441,939
Total revenues	14,176,605	420,008,833	434,185,438
Expenditures:			
Administrative expenses	5,733,672	13,955,288	19,688,960
Other	6,326	821,419	827,745
Custodial fees	—	7,058,262	7,058,262
Apportionments to beneficiaries:			
Universities and colleges	—	30,452,062	30,452,062
Public schools	—	87,985,415	87,985,415
Public buildings	—	5,937,625	5,937,625
Total expenditures	5,739,998	146,210,071	151,950,069
Net change in fund balances	8,436,607	273,798,762	282,235,369
Fund balances at beginning of year	33,223,110	2,036,649,552	2,069,872,662
Fund balances at end of year	$ 41,659,717	2,310,448,314	2,352,108,031
Net change in fund balances			$ 282,235,369
Fixed assets purchased			1,187,869
Increase in liability for compensated absences			(21,608)
Current year depreciation expense			(220,942)
Disposal of fixed assets			(29,347)
Change in net position – governmental activities			$ 283,151,341

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

(b) Apportionment

The primary goal of the Commissioners of the Land Office is to support education. To accomplish this goal, monthly distributions are made to both common schools and Oklahoma colleges. The amount that is distributed to the common school districts is calculated from the average daily attendance, which is provided from the Department of Education each fiscal year. Effective in FY2013, House Bill 2927 has enabled the CLO to implement a multiyear education distribution stabilization fund based 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.

(c) Basis of Presentation

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

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

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

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

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

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

(d) Budget

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

(e) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

(f) Cash and Cash Equivalents

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

(g) 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, 2014. This land is held in trust and is stated at $1 per acre in the financial statements at June 30, 2014. 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, 2014, repossessed land is carried at approximately $4,906,000.

Land is considered capital assets and is reported at cost.

(Continued)

(h) Depreciable Capital Assets

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

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

Improvements	25 years
Fixtures, furniture, and equipment	5 years

(i) Unearned Revenue

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

(j) 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.

(k) Investments

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

(l) 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, 2014, unpaid and accumulated benefits totaled $386,539. The activity for the year is as follows:

Beginning balance	$	364,931
Leave earned		234,317
Leave used		(212,709)
Ending balance	$	386,539

(m) Recently Issued Accounting Standards

For the year ended June 30, 2013, the Agency adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources, as well as, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The objective of these statements is to clarify the appropriate use of deferred outflows of resources and deferred inflows of resources. The adoption of these statements resulted in no impact to net position of the Agency at June 30, 2014.

For the year ended June 30, 2013, the Agency adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 GASB and AICPA Pronouncements*. This statement had no impact on the Agency's accounting policies.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this statement is to improve the accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability. This Statement is effective for fiscal years beginning after June 15, 2014. Management is evaluating the impact of adopting this Standard; however, the impact could be material to the Agency's financial position.

(2) Deposits, Investments, and Related Policies

(a) Custodial Credit Risk

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

(b) Deposits

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

The carrying amount and balance of the cash equivalents totaled $45,964,347 at June 30, 2014 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.

(c) Investments

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

Substantially all investments are held by Bank of Oklahoma Trust Department. At June 30, 2014, the Agency had the following investments:

Investments:	
Stocks:	
Common Stocks	$ 849,249,865
Pooled Equity Funds	103,995,930
Fixed Income Securities:	
Government	325,876,381
Corporate Bonds – Domestic	629,613,404
Corporate Bonds – Foreign	104,518,837
Preferred Stocks:	
Preferred Stock – Nonconvertible	63,309,458
Preferred Stock - Convertible	1,284,766
Mutual Fund – diversified stocks and bonds	126,450,846
Total	$ 2,204,299,487

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.

Fixed income investments and Nonconvertible Preferred stock by investment rating at June 30, 2014 consisted of the following:

	2014	
	Fair value	**Moody rating**
U.S. government sponsored:		
U.S. Treasury Bond	$ 3,118,000	Aaa
U.S. Treasury Note	43,891,000	Aaa
Federal Home Loan Mortgage Corp	70,941,000	Aaa
Federal National Mortgage Corp	139,894,000	Aaa
Government National Mortgage Association	20,354,000	Aaa
Other	35,429,000	Aaa
	313,627,000	
Municipal obligations:		
Municipal Bonds	16,000	Aaa
Municipal Bonds	4,391,000	Aa3
Municipal Bonds	1,374,000	A2
Municipal Bonds	6,029,000	A3
Municipal Bonds	440,000	B2
	12,250,000	
Corporate bonds (held in U.S. currency):		
Domestic Bonds	16,520,000	Aaa
Domestic Bonds	503,000	Aa1
Domestic Bonds	5,376,000	Aa2
Domestic Bonds	2,847,000	Aa3
Domestic Bonds	3,968,000	A1
Domestic Bonds	4,793,000	A2
Domestic Bonds	29,699,000	A3
Domestic Bonds	55,653,000	Baa1
Domestic Bonds	102,589,000	Baa2
Domestic Bonds	67,627,000	Baa3
Domestic Bonds	33,507,000	Ba1
Domestic Bonds	17,469,000	Ba2
Domestic Bonds	47,635,000	Ba3
Domestic Bonds	49,648,000	B1
Domestic Bonds	45,281,000	B2
Domestic Bonds	53,236,000	B3
Domestic Bonds	17,794,000	Caa1
Domestic Bonds	4,899,000	Caa2
Domestic Bonds	3,294,000	Caa3
Domestic Bonds	67,275,000	NA/NR
Corporate bonds	629,613,000	

(Continued)

	2014	
	Fair value	**Moody rating**
Foreign bonds (held in U.S. currency):		
Foreign bonds	$ 1,104,000	A1
Foreign bonds	3,869,000	A2
Foreign bonds	11,658,000	A3
Foreign bonds	7,614,000	Aa3
Foreign bonds	3,854,000	B1
Foreign bonds	1,816,000	B2
Foreign bonds	1,545,000	B3
Foreign bonds	13,264,000	Ba1
Foreign bonds	5,608,000	Ba2
Foreign bonds	6,358,000	Ba3
Foreign bonds	12,067,000	Baa1
Foreign bonds	13,312,000	Baa2
Foreign bonds	10,400,000	Baa3
Foreign bonds	12,050,000	NA/NR
	104,519,000	
Total fixed income	$ 1,060,009,000	
Preferred Stock – Nonconvertible:		
Preferred Stock	$ 6,240,000	Baa1
Preferred Stock	6,094,000	Baa2
Preferred Stock	13,571,000	Baa3
Preferred Stock	13,415,000	Ba1
Preferred Stock	2,150,000	Ba2
Preferred Stock	2,387,000	Ba3
Preferred Stock	1,706,000	B1
Preferred Stock	17,746,000	NA
	$ 63,309,000	

Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investments in a single issuer. It is generally considered that an increased risk of loss occurs as more investments are acquired from a single issuer. The Agency has formal written policies regarding the concentration of credit risk for both unsecured fixed income investments and equity-type investments. With the exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio at market will be invested in the securities of a single issuer or 5% of the bond portfolio in an individual issue. Equity managers shall not invest more than 10% of its portfolio market value in any one company. Equity managers may invest up to 5% of their portfolio's market value at the time of the initial purchase in a single entity. At June 30, 2014, Federal National Mortgage Corp. represented 6.3% of the Agency's investments.

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

	2014	
	Fair value	**Effective duration (years)**
U.S. government securities:		
U.S. Treasury Bond	$ 3,118,000	17.970
U.S. Treasury Note	43,891,000	2.450
Government National Mortgage Association	20,354,000	1.610
Other	35,429,000	4.990
	102,792,000	
Mortgage-backed securities:		
Federal Home Loan Mortgage Corp	70,941,000	1.390
Federal National Mortgage Corp	139,894,000	3.080
	210,835,000	
Municipal obligations:		
Municipal Bonds	12,250,000	9.020
Corporate bonds (held in U.S. currency):		
Domestic Bonds	629,613,000	4.570
Foreign Bonds	104,519,000	6.400
	734,132,000	
Total fixed income	$ 1,060,009,000	

(3) Leasing Operations

The Agency leases to others approximately 743,500 acres of land belonging to the Trusts as of June 30, 2014, 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, 2014:

2015	$	10,388,908
2016		8,026,708
2017		5,236,636
	$	23,652,252

(4) Investment Property

In 2004, the Agency sought and received legislative authorization for an investment in a real estate property located at the Lake Texoma State Park area in southern Oklahoma. The Agency purchased 750 acres of real property from the state and federal government for the purpose of packaging the property as a resort development. The Agency paid approximately $4.9 million as an initial investment. The Agency offered the property in a "Request for Proposal" format and received and accepted an offer of $14.6 million over a six-year period. Two closings were executed in January and May 2008 and a total of $5,600,000 cash and a $9,000,000 note was received. The note receivable has no stated interest rate, but has been discounted by the Agency at 8%. The note has been paid in full as of January of 2014.

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% of the total value of the assets of the permanent school funds in connection with investment in real property. The Agency acquired the following property and is carried at fair value:

Property		Fair value
3017 N. Stiles	$	1,900,000

(5) Other Receivables

Other receivables at June 30, 2014 consisted of the following:

Accrued mineral revenue	$	18,625,250
Surface leases		647,186
Gas marketing		104,358
Commercial RE Investments		56,104
Other		23,162
Total	$	19,456,060

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

The Agency obtained the majority of the land held in trust from a grant of the United States prior to statehood. The land is mainly in the western portion of Oklahoma, with approximately 40% of the land being located in the Oklahoma Panhandle. Management estimates the market value of the land at June 30, 2014 is approximately $642,000,000 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 1,207,000 mineral acres. Valuation of such properties normally requires a property-by-property reserve study. As this is not feasible, an estimated market value of the mineral rights has not been determined.

(7) Related Party Transactions

During the course of normal operations, the Agency purchases goods and services from other State agencies. The expenditures made to other State agencies during the fiscal year ended June 30, 2014 was approximately $226,000.

(8) Employee Benefit Plans

(a) Retirement Plan

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

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

Fiscal year 2014	
Employees	**Agency**
All salary	**All salary**
3.5%	16.5%

Fiscal year 2013	
Employees	**Agency**
All salary	**All salary**
3.5%	16.5%

The Agency and employee (combined) contributions to the Plan for the years ended June 30, 2014, 2013, and 2012 were approximately $523,000, $510,000, and $480,000, respectively, and was equal to its required contribution for each year.

(b) Deferred Compensation Plan

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

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among various 457 Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the 457 Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the 457 Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the years ended June 30, 2014 and 2013. The Agency believes that it has no liabilities in respect to the State's plan.

(Continued)

(9) Capital Assets

The changes in the capital asset accounts for fiscal year 2014 were as follows:

	Beginning balance June 30, 2013	Increases	Decreases	Ending balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 5,598,882	—	(77)	5,598,805
Total capital assets, not being depreciated	5,598,882	—	(77)	5,598,805
Capital assets, being depreciated:				
Furniture, fixture and equipment	467,970	908,849		1,376,819
Land improvements	1,409,549	279,020	(29,270)	1,659,299
Total capital assets, being depreciated	1,877,519	1,187,869	(29,270)	3,036,118
Less accumulated depreciation, for:				
Furniture, fixture and equipment	270,338	149,717		420,055
Land improvements	301,484	71,225		372,709
Total accumulated depreciation	571,822	220,942	—	792,764
Total capital assets being depreciated, net	1,305,697	966,927	(29,270)	2,243,354
Governmental activities, capital assets, net	$ 6,904,579	966,927	(29,347)	7,842,159

(10) Commitments and Contingencies

(a) Litigation

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

(Continued)

(b) Leases

The Agency leases various office equipment, as well as office space and computer equipment for 12-month terms, with options to renew each year. For the year ended June 30, 2014, total rent expense for these items was approximately $245,000 for office space and $61,000 for office equipment and other rents.

(11) Risk Management

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

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

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

Year ended June 30, 2014

(unaudited)

	Budgeted amounts			Variance
	Original	**Final**	**Actual**	**favorable (unfavorable)**
Revenues:				
Fees	$ —	—	13,478,499	13,478,499
Other interest	—	—	698,106	698,106
Total revenues	—	—	14,176,605	14,176,605
Expenditures:				
Administrative division	923,445	1,473,445	876,384	597,061
Legal division	992,026	1,637,729	675,792	961,937
Data processing division	594,993	1,026,818	707,018	319,800
Real estate division	1,376,857	2,116,317	1,192,034	924,283
Commercial real estate division	248,581	374,581	210,911	163,670
Soil Conservation division	133,623	224,623	144,204	80,419
Accounting/Investments division	1,311,061	2,003,061	999,701	1,003,360
Minerals division	887,045	1,374,045	781,932	592,113
Audit division	552,223	840,223	474,427	365,796
Records management division	162,148	243,408	144,095	99,313
Total expenditures	7,182,002	11,314,250	6,206,498	5,107,752
Net change in fund balance	$ (7,182,002)	(11,314,250)	7,970,107	19,284,357
Fund balance at beginning of year		34,705,187	34,705,187	—
Fund balance at end of year		$ 23,390,937	42,675,294	19,284,357
Reconciliation to GAAP basis:				
Accrual adjustments			(1,015,577)	
Fund balance			$ 41,659,717	

See accompanying independent auditors' report.

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

Combining Balance Sheet – General Fund

June 30, 2014

Assets		**Revolving 16**	**CLO**	**Combined total**
Cash and cash equivalents	$	18,282,808	23,352,962	41,635,770
Other receivables		127,528	—	127,528
Total assets	$	18,410,336	23,352,962	41,763,298
Liabilities and Fund Balance				
Liabilities:				
Accounts payable and accrued expenses	$	103,581	—	103,581
Equity:				
Fund balances – unreserved		18,306,755	23,352,962	41,659,717
Total liabilities and equity	$	18,410,336	23,352,962	41,763,298

See accompanying independent auditors' report.

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

Schedule of Distributions to University and College Beneficiaries

Year ended June 30, 2014

University of Oklahoma	$	10,608,331
Oklahoma State University		7,969,903
Northern Oklahoma College		2,939,815
Langston University		2,194,347
Southeastern Oklahoma State University		1,004,850
University of Central Oklahoma		1,004,850
East Central Oklahoma State University		1,004,850
Northeastern Oklahoma State University		1,004,850
Northwestern Oklahoma State University		1,004,850
Southwestern Oklahoma State University		1,004,850
Cameron University		1,004,850
Oklahoma Panhandle State University		1,004,850
University of Science and Arts		1,004,850
	$	32,756,046

See accompanying independent auditors’ report.

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

ACHILLE	$	44,458.47
ADA		370,961.43
ADAIR		144,471.47
AFTON		67,192.56
AGRA		63,631.94
ALBION		12,215.63
ALEX		43,874.94
ALINE-CLEO		20,131.18
ALLEN		63,551.78
ALLEN-BOWDEN		49,882.50
ALTUS		540,287.29
ALVA		136,306.46
AMBER-POCASSET		67,929.01
ANADARKO		271,159.26
ANDERSON		40,017.39
ANTLERS		142,529.32
ARAPAHO		53,642.09
ARDMORE		430,328.97
ARKOMA		56,631.04
ARNETT		29,164.84
ASHER		35,629.74
ATOKA		114,011.89
AVANT		12,852.59
BALKO		22,959.75
BANNER		27,040.04
BARNSDALL		60,862.76
BARTLESVILLE		829,947.41
BATTIEST		35,730.70
BEARDEN		16,641.85
BEAVER		49,151.99
BEGGS		170,533.02
BELFONTE		33,118.91
BENNINGTON		37,658.00
BERRYHILL		179,599.34
BETHANY		236,582.27
BETHEL		193,372.52
BIG PASTURE		29,230.15
BILLINGS		9,926.02
BINGER-ONEY		52,016.20
BISHOP		72,258.76
BIXBY		769,605.81
BLACKWELL		199,775.06
BLAIR		45,714.61
BLANCHARD		256,615.46
BLUEJACKET		32,211.68
BOISE CITY		40,403.43

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

BOKOSHE	$ 30,548.69
BOONE-APACHE	77,675.39
BOSWELL	51,337.63
BOWLEGS	38,479.11
BOWRING	10,165.07
BRAGGS	25,956.15
BRAY-DOYLE	50,011.69
BRIDGE CREEK	204,496.80
BRIGGS	61,026.09
BRISTOW	243,259.49
BROKEN ARROW	2,406,205.31
BROKEN BOW	243,165.95
BRUSHY	56,878.99
BUFFALO	42,655.91
BUFFALO VALLEY	25,130.60
BURLINGTON	22,336.14
BURNS FLAT-DILL CITY	96,593.47
BUTNER	30,573.91
BYARS	5,697.23
BYNG	253,013.28
CACHE	254,082.35
CADDO	68,248.25
CALERA	90,945.20
CALUMET	44,792.54
CALVIN	23,034.01
CAMERON	44,082.82
CANADIAN	64,497.60
CANEY	35,071.43
CANEY VALLEY	108,357.71
CANTON	52,828.39
CANUTE	62,448.55
CARNEGIE	80,584.14
CARNEY	32,989.73
CASHION	68,398.21
CATOOSA	302,506.77
CAVE SPRINGS	22,622.72
CEMENT	36,147.94
CENTRAL	74,096.95
CENTRAL HIGH	61,017.19
CHANDLER	157,298.84
CHATTANOOGA	35,943.02
CHECOTAH	217,763.65
CHELSEA	134,264.83
CHEROKEE	49,025.77
CHEYENNE	46,039.79
CHICKASHA	345,302.26
CHISHOLM	133,188.32

(Continued)

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

Year ended June 30, 2014

School district:

CHOCTAW/NICOMA PARK	$ 1,062,107.89
CHOUTEAU-MAZIE	118,052.08
CIMARRON	40,195.56
CLAREMORE	575,429.99
CLAYTON	43,597.27
CLEORA	17,459.99
CLEVELAND	236,352.11
CLINTON	321,053.67
COALGATE	101,135.51
COLBERT	125,085.66
COLCORD	87,870.12
COLEMAN	29,268.77
COLLINSVILLE	374,550.23
COMANCHE	155,773.93
COMMERCE	121,076.65
COPAN	102,128.86
CORDELL	106,794.18
COTTONWOOD	32,617.01
COVINGTON-DOUGLAS	39,163.60
COWETA	461,281.51
COYLE	45,830.44
CRESCENT	88,820.43
CROOKED OAK	159,347.87
CROWDER	68,568.96
CRUTCHO	45,953.70
CUSHING	252,682.16
CYRIL	47,199.46
DAHLONEGAH	20,533.55
DALE	99,934.30
DARLINGTON	33,513.86
DAVENPORT	49,784.52
DAVIDSON	12,230.47
DAVIS	151,372.90
DEER CREEK	648,570.72
DEER CREEK-LAMONT	25,675.50
DENISON	44,093.18
DEPEW	57,280.06
DEWAR	61,646.75
DEWEY	179,286.04
DIBBLE	98,526.70
DICKSON	183,548.96
DOVER	26,787.62
DRUMMOND	46,364.99
DRUMRIGHT	85,889.39
DUKE	29,222.75

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

DUNCAN	$	535,529.91
DURANT		490,110.78
EAGLETOWN		31,396.50
EARLSBORO		32,186.45
EDMOND		3,166,187.99
EL RENO		348,745.55
ELDORADO		16,889.82
ELGIN		293,651.31
ELK CITY		328,096.17
ELMORE CITY		70,245.34
EMPIRE		68,494.74
ENID		1,045,195.77
ERICK		37,904.46
EUFAULA		169,113.54
FAIRLAND		85,737.94
FAIRVIEW		100,461.41
FANSHAWE		10,516.97
FARGO		29,944.35
FELT		12,182.93
FLETCHER		64,721.80
FLOWER MOUND		47,027.20
FOREST GROVE		25,135.03
FORGAN		24,132.75
FORT COBB-BROXTON		49,515.77
FORT GIBSON		259,687.56
FORT SUPPLY		17,060.57
FORT TOWSON		59,752.10
FOX		42,269.85
FOYIL		87,101.00
FREDERICK		122,258.58
FREEDOM		10,652.08
FRIEND		32,857.58
FRINK-CHAMBERS		62,065.44
FRONTIER		50,446.73
GAGE		13,311.42
GANS		54,253.82
GARBER		52,611.62
GEARY		57,302.16
GERONIMO		47,973.05
GLENCOE		47,704.30
GLENPOOL		339,153.62
GLOVER		10,369.98
GOODWELL		30,915.44
GORE		73,831.17

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

GRACEMONT	$ 20,622.65
GRAHAM	313,769.13
GRAND VIEW	70,028.55
GRANDFIELD	36,208.82
GRANDVIEW	20,367.28
GRANITE	35,200.62
GRANT	29,414.27
GREASY	6,304.53
GREENVILLE	15,161.51
GROVE	408,175.49
GUTHRIE	476,205.44
GUYMON	401,642.24
GYPSY	14,931.33
HAILEYVILLE	52,620.53
HAMMON	36,101.90
HANNA	39,041.86
HARDESTY	11,571.19
HARMONY	32,890.24
HARRAH	300,892.78
HARTSHORNE	105,058.41
HASKELL	120,705.44
HAWORTH	82,030.36
HAYWOOD	18,684.99
HEALDTON	75,122.98
HEAVENER	154,379.68
HENNESSEY	118,937.02
HENRYETTA	177,447.84
HILLDALE	254,002.17
HINTON	96,164.35
HOBART	115,040.84
HODGEN	40,326.21
HOLDENVILLE	159,662.66
HOLLIS	77,115.62
HOLLY CREEK	25,803.22
HOMINY	82,694.05
HOOKER	89,827.14
HOWE	70,882.32
HUGO	161,248.45
HULBERT	81,167.67
HYDRO-EAKLY	65,804.25
IDABEL	173,000.80
INDIAHOMA	31,773.67
INDIANOLA	32,443.34
INOLA	188,279.58
JAY	236,320.95
JENKS	1,533,097.15

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

JENNINGS	$ 26,492.16
JONES	160,636.72
JUSTICE	24,554.45
JUSTUS-TIAWAH	75,378.36
KANSAS	123,966.11
KELLYVILLE	159,301.85
KENWOOD	16,729.47
KEOTA	63,278.55
KETCHUM	84,422.39
KEYES	9,289.04
KEYS	123,894.83
KEYSTONE	46,053.16
KIEFER	90,156.76
KILDARE	9,015.83
KINGFISHER	202,823.41
KINGSTON	164,862.51
KINTA	28,368.98
KIOWA	45,230.59
KONAWA	98,652.90
KREBS	50,748.16
KREMLIN-HILLSDALE	46,204.63
LANE	43,114.73
LATTA	120,739.60
LAVERNE	68,090.87
LAWTON	2,153,306.35
LE FLORE	32,205.74
LEACH	22,441.57
LEEDEY	30,014.14
LEXINGTON	154,544.49
LIBERTY	119,444.84
LINDSAY	165,380.71
LITTLE AXE	162,272.97
LOCUST GROVE	212,360.40
LOMEGA	31,495.99
LONE GROVE	212,107.99
LONE STAR	121,698.80
LONE WOLF	11,596.45
LOOKEBA SICKLES	34,361.71
LOWREY	21,605.62
LUKFATA	50,393.29
LUTHER	123,692.90
MACOMB	45,779.96
MADILL	250,264.87
MANGUM	97,165.12
MANNFORD	211,334.37
MANNSVILLE	14,359.69

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

MAPLE	$ 22,468.29
MARBLE CITY	17,378.33
MARIETTA	143,276.19
MARLOW	193,518.03
MARYETTA	95,141.15
MASON	40,213.38
MAUD	45,148.91
MAYSVILLE	52,322.06
MC ALESTER	421,270.09
MC CORD	32,832.34
MC CURTAIN	32,666.06
MC LOUD	251,788.32
MEDFORD	42,951.38
MEEKER	123,599.38
MERRITT	93,206.59
MIAMI	354,972.89
MIDDLEBERG	29,227.18
MIDWAY	32,912.52
MIDWEST CITY – DEL CITY	2,036,237.22
MILBURN	27,788.40
MILFAY	1,135.73
MILL CREEK	19,832.75
MILLWOOD	125,106.46
MINCO	80,499.51
MOFFETT	52,121.62
MONROE	17,621.85
MOORE	3,248,596.96
MOORELAND	72,284.03
MORRIS	146,854.59
MORRISON	78,546.96
MOSELEY	32,395.81
MOSS	37,405.59
MOUNDS	84,129.89
MOUNTAIN VIEW-GOTEBO	36,903.72
MOYERS	27,034.13
MULDROW	226,528.55
MULHALL-ORLANDO	35,937.10
MUSKOGEE	870,827.67
MUSTANG	1,334,254.54
NASHOBA	6,133.81
NAVAJO	63,244.41
NEW LIMA	37,303.13
NEWCASTLE	258,553.15
NEWKIRK	118,295.57
NINNEKAH	71,148.10
NOBLE	393,987.98

(Continued)

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

Year ended June 30, 2014

School district:

NORMAN	$ 2,104,899.73
NORTH ROCK CREEK	78,710.31
NORWOOD	26,088.29
NOWATA	133,541.73
OAK GROVE	26,903.44
OAKDALE	85,574.61
OAKS MISSION	33,822.71
OILTON	41,656.63
OKARCHE	40,581.59
OKAY	58,406.87
OKEENE	44,682.69
OKEMAH	123,421.17
OKLAHOMA CITY	6,185,157.57
OKLAHOMA UNION	93,499.09
OKMULGEE	217,263.28
OKTAHA	109,517.33
OLIVE	54,448.33
OLUSTEE	22,184.69
OOLOGAH-TALALA	257,432.09
OPTIMA	11,848.88
OSAGE	26,266.46
OSAGE HILLS	23,933.81
OWASSO	1,330,205.44
PADEN	36,715.16
PANAMA	98,400.49
PANOLA	29,516.75
PAOLI	34,514.62
PAULS VALLEY	181,394.49
PAWHUSKA	119,415.15
PAWNEE	104,647.10
PEAVINE	20,229.32
PECKHAM	12,990.68
PEGGS	37,356.58
PERKINS-TRYON	205,791.56
PERRY	163,947.85
PIEDMONT	435,983.16
PIONEER	53,594.56
PIONEER-PLEASANT VALE	79,105.27
PITTSBURG	19,865.38
PLAINVIEW	211,843.69
PLEASANT GROVE	33,852.42
POCOLA	115,294.80
PONCA CITY	720,743.34
POND CREEK-HUNTER	45,337.49
PORTER CONSOLIDATED	82,596.06
PORUM	67,431.59

(Continued)

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

Year ended June 30, 2014

School district:

POTEAU	$ 329,545.34
PRAGUE	144,317.07
PRESTON	76,223.24
PRETTY WATER	36,147.94
PRUE	40,001.04
PRYOR	368,458.01
PURCELL	205,230.30
PUTNAM CITY	2,678,155.98
QUAPAW	91,974.18
QUINTON	78,016.88
RATTAN	71,992.99
RAVIA	11,277.20
RED OAK	34,174.63
REYDON	18,096.97
RINGLING	58,795.91
RINGWOOD	55,713.42
RIPLEY	66,350.67
RIVERSIDE	24,808.35
ROBIN HILL	35,429.29
ROCK CREEK	68,873.37
ROCKY MOUNTAIN	25,005.86
ROFF	48,382.85
ROLAND	159,257.31
RUSH SPRINGS	84,119.51
RYAL	8,025.46
RYAN	35,175.37
SALINA	115,894.64
SALLISAW	283,679.27
SAND SPRINGS	739,211.55
SAPULPA	566,905.66
SASAKWA	29,240.57
SAVANNA	49,855.78
SAYRE	101,735.39
SCHULTER	24,110.48
SEILING	59,835.25
SEMINOLE	251,825.41
SENTINEL	49,806.79
SEQUOYAH	186,741.34
SHADY GROVE	18,774.05
SHADY POINT	17,544.64
SHARON-MUTUAL	43,757.63
SHATTUCK	51,425.25
SHAWNEE	561,901.81
SHIDLER	35,418.89
SILO	118,074.36
SKELLY	1,298.68

(Continued)

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

Year ended June 30, 2014

School district:

SKIATOOK	$ 358,064.28
SMITHVILLE	40,421.24
SNYDER	69,200.01
SOPER	52,426.01
SOUTH COFFEYVILLE	36,386.99
SOUTH ROCK CREEK	56,752.78
SPAVINAW	12,904.58
SPERRY	168,865.58
SPIRO	168,886.35
SPRINGER	32,560.61
STERLING	61,590.32
STIDHAM	21,008.70
STIGLER	187,905.42
STILLWATER	833,172.42
STILWELL	192,959.74
STONEWALL	61,572.49
STRAIGHT	7,291.95
STRATFORD	93,604.51
STRINGTOWN	31,684.58
STROTHER	55,918.30
STROUD	118,723.21
STUART	38,972.06
SULPHUR	210,880.03
SWEETWATER	14,551.25
SWINK	19,831.26
TAHLEQUAH	490,018.72
TALIHINA	89,736.57
TALOGA	10,393.73
TANNEHILL	26,014.05
TECUMSEH	306,275.25
TEMPLE	25,705.21
TENKILLER	42,687.08
TERRAL	10,799.09
TEXHOMA	40,241.60
THACKERVILLE	40,578.64
THOMAS-FAY-CUSTER UNIFIED	67,314.30
TIMBERLAKE	35,556.96
TIPTON	49,297.50
TISHOMINGO	136,226.27
TONKAWA	100,721.27
TULSA	5,720,496.60
TUPELO	34,801.20
TURKEY FORD	16,422.11
TURNER	45,301.87
TURPIN	57,808.48
TUSHKA	64,473.84
TUSKAHOMA	17,903.95

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:

TUTTLE	$ 252,019.93
TWIN HILLS	53,123.87
TYRONE	37,512.48
UNION	2,138,878.34
UNION CITY	41,132.48
VALLIANT	133,409.57
VANOSS	74,895.77
VARNUM	40,529.62
VELMA-ALMA	61,756.63
VERDEN	37,531.81
VERDIGRIS	173,428.44
VIAN	143,645.91
VICI	49,117.84
VINITA	228,200.44
WAGONER	333,998.31
WAINWRIGHT	18,973.03
WALTERS	101,526.04
WANETTE	29,341.53
WAPANUCKA	34,242.91
WARNER	100,633.66
WASHINGTON	136,196.55
WATONGA	111,437.19
WATTS	52,760.10
WAUKOMIS	47,803.76
WAURIKA	57,438.75
WAYNE	71,624.73
WAYNOKA	36,288.98
WEATHERFORD	293,660.22
WEBBERS FALLS	39,493.25
WELCH	51,492.06
WELEETKA	56,849.30
WELLSTON	93,632.74
WESTERN HGTS	511,131.37
WESTVILLE	166,662.63
WETUMKA	70,012.21
WEWOKA	107,624.19
WHITE OAK	6,699.51
WHITE ROCK	16,787.36
WHITEBEAD	56,740.90
WHITEFIELD	17,710.93
WHITESBORO	27,757.20
WICKLIFFE	19,016.08
WILBURTON	128,334.46
WILSON	106,584.82
WISTER	79,979.81
WOODALL	71,621.75

(Continued)

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

Schedule of Distributions to Public School Beneficiaries

Year ended June 30, 2014

School district:	
WOODLAND	$ 60,625.20
WOODWARD	397,951.02
WRIGHT CITY	60,461.86
WYANDOTTE	113,373.42
WYNNEWOOD	98,750.90
WYNONA	16,313.73
YALE	65,346.91
YARBROUGH	18,033.13
YUKON	1,101,602.59
ZANEIS	37,560.02
ZION	46,776.27
	$ 93,626,718.00

See accompanying independent auditors’ report.

SUPPLEMENTAL INFORMATION

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

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

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 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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 22, 2014.

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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

KPMG LLP

Oklahoma City, Oklahoma
October 22, 2014