Commissioners of the Land Office State of Oklahoma

Audited Financial Report and Report Required by
Government Auditing Standards
June 30, 2015

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Contents

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma (the Agency), as of and for the year ended June 30, 2015, and the related notes to the financial statements.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1 of financial statements, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the State of Oklahoma, as of June 30, 2015 or the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1 of the financial statements, in 2015 the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The Agency recorded the cumulative effect of adopting GASB Statements No. 68 and 71 as an adjustment of governmental activities as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Agency's proportionate share of the net pension liability, and the schedule of the Agency's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The budgetary comparison information, combining balance sheet, and schedules of distributions listed as other supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued a report for the year ended June 30, 2015 dated December 7, 2015, 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, 2015

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, 2015. It should be read in conjunction with the financial statements, which begin, on page 8.

Financial Highlights

- Net position is down approximately $44.6 million. The decrease was primarily due to the net decrease in fair value of investments. Of the $91.9 million in mineral revenue, royalties of $58.8 million were added to the permanent fund and $29.8 million in lease bonuses and delay rentals were apportioned.
- Interest from investments was up $0.2 million, from $55.2 million in fiscal year 2014 to $55.4 million in fiscal year 2015.
- Actual cash distributions to beneficiaries were down $1.2 million, from $134.1 million in fiscal year 2014 to $132.9 million in fiscal year 2015, primarily due to the decrease in easement revenue. Of the $132.9 million in cash distributions during fiscal year 2015, $31.5 million were to universities and colleges, $97.5 million were to public schools, and $3.9 million were to public buildings.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

Overview of the Financial Statements (Continued)

Fund financial statements

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

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

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

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 29 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $2.31 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

	2015	2014
Assets	(In thousands)	
Current assets and investments	$ 2,364,535	$ 2,386,037
Capital assets, net	7,692	7,842
Total assets	$ 2,372,227	$ 2,393,879
Deferred Outflows of Resources	$ 563	$ -
Liabilities		
Current liabilities	$ 57,406	$ 33,929
Noncurrent liabilities	755	387
	$ 58,161	$ 34,316
Deferred Inflows of Resources	$ 1,297	$ -
Net Position		
Investment in capital assets	$ 7,692	$ 7,842
Restricted	2,279,963	2,310,448
Unrestricted	25,677	41,273
Total net position	$ 2,313,332	$ 2,359,563

Government-Wide Financial Analysis (Continued)

There was a decrease of $45.1 million in net position. The key elements of the decrease are as follows:

Changes in Net Position

	2015	2014
	(In thousands)	
Expenses		
Apportionments	$ 156,589	$ 124,375
Custodial fees	8,453	7,058
Administrative	6,463	5,506
Other	2,378	1,042
Total expenses	173,883	137,981
Revenues		
Program revenue:		
Investment earnings	13,435	293,037
Mineral revenue	91,908	105,072
Rents	16,032	12,058
Other	7,882	10,965
Total revenues	129,257	421,132
Change in net position	(44,626)	283,151
Net Position, beginning of year	2,359,563	2,076,412
Restatement—Implementation of GASB 68 and 71	(1,605)	-
Net Position, beginning of year, as restated	2,357,958	2,076,412
Net Position, end of year	$ 2,313,332	$ 2,359,563

Apportionments increased from $124.4 million during fiscal year 2014 to $156.6 million during fiscal year 2015. The increase was primarily due to the increase in stock dividends. Actual cash distributions to beneficiaries were down $1.2 million, from $134.1 million in fiscal year 2014 to $132.9 million in fiscal year 2015.

Investment earnings decreased from $293 million in fiscal year 2014 to $13.4 million in fiscal year 2015. Most of the decrease was due to the net fair value adjustment of the Agency's investments.

Mineral income decreased from $105.1 million in fiscal year 2014 to $91.9 million in fiscal year 2015. The increase was due to a decline of royalty payments during the fiscal year.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported a combined ending fund balance of $2.30 billion, a decrease of $45.0 million in comparison with the prior year. Approximately $2.28 billion is nonspendable or restricted to indicate that it is not available for general purposes because it has already been committed to beneficiaries. Approximately $8.6 million is assigned for operating expenditures. The remainder of the fund balance is unassigned which is available for spending at the Agency's discretion.

The general fund is the administrative fund of the Agency. At June 30, 2015, the unassigned fund balance was $18.5 million, or 142 percent of budgeted general fund expenditures, and the assigned fund balance was $8.6 million, or 66 percent of budgeted general fund expenditures. The unassigned fund balance of the general fund decreased by $23.2 million from June 30, 2014 primarily due to a transfer of $20 million to the permanent fund to be distributed to beneficiaries and the assignment of $8.6 million for operating expenditures.

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 $128.1 million compared to $420 million of prior year. Cash apportionments distributed to beneficiaries during 2015 totaled $132.9 million with $31.5 million disbursed to universities and colleges, $97.5 million disbursed to public schools, and $3.9 million to public buildings. This was a decrease of $1.2 million from the cash apportionments distributed during fiscal year 2014.

General Fund Budgetary Highlights

For fiscal year 2015, general fund actual expenditures (including transfers) on a budgetary basis were $14.1 million compared to the budget of $13 million. The $1.1 million variance was due to carryover funds from previous years that are set aside for onetime expenditures and unbudgeted transfers to the permanent fund for distribution to beneficiaries.

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, 2015 is approximately $693,000,000 using land values established by in-house appraisers. Each year, one-fifth (1/5) of the land is appraised and that value is carried for five years.

Currently, the Agency owns approximately 1,206,000 mineral acres. Valuation of such properties normally requires a property-by-property reserve study. As this is not feasible, an estimated market value of the mineral rights has not been determined.

Description of Current and Expected Conditions

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

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances and to show the Agency's accountability to its beneficiaries. If you have questions about this report or need additional financial information, contact the Agency's office at 204 N. Robinson, Suite 900, Oklahoma City, Oklahoma 73102.

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

Statement of Net Position
June 30, 2015

Assets	
Current Assets	
Cash and cash equivalents	$ 186,338,334
Investments	1,027,831,085
Property held for investment	19,530,764
Accrued interest receivable	12,181,797
Other receivables	12,344,204
Total current assets	1,258,226,184
Noncurrent Assets	
Investments	1,106,308,548
Capital assets, net	2,093,323
Land	5,598,711
Total noncurrent assets	1,114,000,582
Total assets	$ 2,372,226,766
Deferred Outflows of Resources	
Deferred pension plan outflows	$ 562,449
Total deferred outflows of resources	$ 562,449
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	$ 50,792,989
Unearned revenue	6,613,323
Total current liabilities	57,406,312
Noncurrent Liabilities	
Net pension liability	353,010
Accrued compensated absences	401,802
Total noncurrent liabilities	754,812
Total liabilities	$ 58,161,124
Deferred Inflows of Resources	
Deferred pension plan inflows	$ 1,296,618
Total deferred inflows of resources	$ 1,296,618
Net Position	
Investment in capital assets	$ 7,692,034
Restricted for education:	
Nonexpendable	2,278,697,400
Expendable	1,265,143
Unrestricted	25,676,896
Total net position	$ 2,313,331,473

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, 2015

Expenses:	
Education:	
Apportionments to beneficiaries:	
Universities and colleges	$ 32,715,986
Public schools	118,484,572
Public buildings	5,388,459
Total apportionments	156,589,017
Custodial fees	8,452,989
Administrative expenses	6,463,398
Commercial real estate expense	1,054,709
Other expenses	819,815
Depreciation/amortization	503,446
Total program expenses	173,883,374
Program revenues:	
Investment earnings:	
Interest	55,360,160
Dividends	34,099,082
Net decrease in fair value of investments	(76,024,251)
Net investment gain	13,434,991
Mineral revenue	91,907,846
Rents	14,228,681
Commercial real estate rent	1,803,190
Gain on sale	2,204,906
Miscellaneous	3,288,237
Fees	430,171
Other interest	1,958,661
Total program revenues	129,256,683
Change in net position	(44,626,691)
Net Position, beginning of year, as restated	2,357,958,164
Net Position, ending of year	$ 2,313,331,473

See Notes to Basic Financial Statements.

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

Balance Sheet—Government Funds
June 30, 2015

	General	Permanent	Total
Assets			
Cash and cash equivalents	$ 28,090,839	$ 158,247,495	$ 186,338,334
Investments	-	2,134,139,633	2,134,139,633
Property held for investment	-	19,530,764	19,530,764
Accrued interest receivable	-	12,181,797	12,181,797
Other receivables	146,861	12,197,343	12,344,204
Due from General Fund	-	499,081	499,081
Total assets	$ 28,237,700	$ 2,336,796,113	$ 2,365,033,813
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	$ 572,742	$ 50,220,247	$ 50,792,989
Unearned revenue	-	6,613,323	6,613,323
Due to Permanent Fund	499,081	-	499,081
Total liabilities	1,071,823	56,833,570	57,905,393
Fund balance			
Nonspendable, permanent fund corpus	-	2,278,697,400	2,278,697,400
Restricted for education	-	1,265,143	1,265,143
Assigned	8,617,230	-	8,617,230
Unassigned	18,548,647	-	18,548,647
Total fund balance	27,165,877	2,279,962,543	2,307,128,420
Total liabilities and fund balance	$ 28,237,700	$ 2,336,796,113	
Capital assets not considered financial resources and not included in funds			7,692,034
Compensated absences not due and payable in the current period			(401,802)
Net pension liability not due and payable in the current period			(353,010)
Deferred pension inflows			(1,296,618)
Deferred pension outflows			562,449
Net position of governmental activities			$ 2,313,331,473

See Notes to Basic Financial Statements.

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General	Permanent	Total
Revenues:			
Investment revenues:			
Interest	$ -	$ 55,360,160	$ 55,360,160
Dividends	-	34,099,082	34,099,082
Net decrease in fair value of investments	-	(76,024,251)	(76,024,251)
Net investment revenue	-	13,434,991	13,434,991
Fees	430,171	-	430,171
Other interest	761,233	1,197,428	1,958,661
Mineral revenue	-	91,907,846	91,907,846
Rents	-	16,031,871	16,031,871
Gain on sale of investment properties	-	2,205,000	2,205,000
Miscellaneous revenue	-	3,288,237	3,288,237
Total revenues	1,191,404	128,065,373	129,256,777
Expenditures:			
Administrative expenses	8,021,058	-	8,021,058
Capital outlay	353,415	-	353,415
Other	-	819,909	819,909
Custodial fees	-	8,452,989	8,452,989
Apportionments to beneficiaries:			
Universities and colleges	-	32,715,986	32,715,986
Public schools	-	118,484,572	118,484,572
Public buildings	-	5,388,459	5,388,459
Total expenditures	8,374,473	165,861,915	174,236,388
Excess (deficiency) of revenues over expenditures	(7,183,069)	(37,796,542)	(44,979,611)
Other Financing Sources (Uses):			
Transfers in	12,907,229	20,218,000	33,125,229
Transfers out	(20,218,000)	(12,907,229)	(33,125,229)
Total other financing sources (uses)	(7,310,771)	7,310,771	-
Net change in fund balances	(14,493,840)	(30,485,771)	(44,979,611)
Fund Balances, beginning of year	41,659,717	2,310,448,314	2,352,108,031
Fund Balances, end of year	$ 27,165,877	$ 2,279,962,543	2,307,128,420
Net change to fund balances			(44,979,611)
Fixed assets purchased			353,415
Increase in liability for compensated absences			(15,263)
Current year depreciation expense			(503,446)
Disposal of capital assets			-
Pension expense			(24,034)
Current year pension contributions			542,248
Change in net position of governmental activities			$ (44,626,691)

See Notes to Basic Financial Statements.

Note 1. Summary of Significant Accounting Policies

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

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

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

Basis of presentation: The accounting and reporting policies of the Agency conform to accounting principles generally accepted in the United States applicable to governmental units. Generally accepted accounting principles for state agencies are defined as those principles prescribed by the Governmental Accounting Standards Boards (GASB). In accordance with those principles, the Agency presents government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and accrual basis of accounting requiring that certain capital assets be recorded at cost less accumulated depreciation and the reporting of long-term liabilities.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

General fund: The General Fund is classified as a Governmental Fund Type and uses the current financial resources measurement focus and modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred except for compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The General Fund consists of several individual accounts, including the Revolving 16 account, and the Commissioners of the Land Office (CLO) account. The Revolving 16 account contains certain fees expenditures for administration of the Trust. The CLO account receives six percent of the revenues earned by the Permanent Fund, with the exception of gains on the sale of permanent land.

Permanent fund: The Permanent Fund is classified as a Governmental Fund Type and is used to account for all Trust assets, liabilities, fund balances, revenues and distributions to beneficiaries. The permanent fund uses the current financial resources measurement focus and modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when incurred. The Permanent Fund represents the historic dollar value of the Permanent Fund assets, along with certain additions, and must be maintained in perpetuity. Additions to the Permanent Fund are made by the retention of a portion of the revenues generated by 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 ninety-day period is used for revenue recognition for all governmental fund type revenues. Those revenues susceptible to accrual are interest revenue, mineral revenue and surface leases.

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

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

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

Deferred inflows of resources: Deferred inflows of resources are the acquisition of net position by the Agency that are applicable to a future reporting period. At June 30, 2015, the Agency had deferred inflows of $1,296,618. See Note 8 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, 2015, the Agency had deferred outflows of resources of $562,449. See Note 8 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, 2015. This land is held in trust and is stated at $1 per acre in the financial statements at June 30, 2015. 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, 2015, 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 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

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, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2015, unpaid and accumulated benefits totaled $401,802. The activity for the year is as follows:

Beginning balance	$	386,539
Leave earned		242,238
Leave used		(226,975)
End balance	$	401,802

New accounting pronouncements adopted in fiscal year 2015: The Agency adopted the following new accounting pronouncements during the year ended June 30, 2015:

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* (GASB No. 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012. As a result the adoption of GASB No. 68, net position as of July 1, 2014 decreased from $2,359,563,651 to $2,357,958,164, a decrease of $1,605,487. Deferred outflows and net pension liability of $537,582 and $2,142,975, respectively were also recognized at July 1, 2014 as part of the implementation of the standard.

Statement No. 71, *Pension transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB No. 71) amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. As a result the adoption of GASB No. 71, deferred outflows of $537,582 were recorded at July 1, 2014.

New accounting pronouncements issued not yet adopted: The GASB has issued several new accounting pronouncements which will be effective to the Agency in fiscal year ended June 30, 2016. A description of the new accounting pronouncements is provided below:

Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72) addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. Management is evaluating the impact of adopting this Statement; however, the impact is not expected to be material to the Agency's financial position.

Note 1. Summary of Significant Accounting Policies (Continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76): The objective of GASB No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. Management is evaluating the impact of adopting this Statement; however, the impact is not expected to be material to the Agency's financial 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. The Agency does not have a policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized.

The Agency uses a pooled cash concept in maintaining its bank accounts. Cash is pooled for operating and investing purposes and each fund has equity in the pooled amount. For reporting purposes, cash has been allocated to each fund based on its equity in the pooled amount. At June 30, 2015, the carrying amount of the Agency's deposits was $130,875,886 and the bank balance was $131,185,189 of which deposits with a carrying amount of $130,313,475 and a bank balance of $130,504,269 were deposited at the Office of the State Treasurer. The cash that is deposited with the OST is fully insured or collateralized by the State Treasurer.

Of funds on deposit with the State Treasurer at June 30, 2015, funds with a bank balance of $130,810,432 were invested in the State Treasurer's internal investment pool OK INVEST. For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2015, the distribution of deposits in OK INVEST was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	$ 52,517,829	$ 52,461,053
Money market mutual funds	16,421,944	16,421,944
Certificates of deposit	3,571,647	3,571,647
Mortgage-backed agency securities	51,317,439	51,973,338
Municipal bonds	1,813,737	1,966,720
Foreign bonds	1,007,227	1,007,224
Commercial paper	2,646,555	2,646,555
U.S. Treasury obligations	1,514,054	1,817,507
	$130,810,432	$131,865,988

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

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.

The Agency's remaining deposits at June 30, 2015 with a carrying amount of $562,411 and a bank balance of $680,920 were held with a separate financial institution. Of the $680,920, $430,920 was exposed to custodial credit risk at June 30, 2015 because it was uninsured and not collateralized with securities held by the financial institution in the Agency's name.

Cash is also maintained by the Bank of Oklahoma's Trust Department as part of various investments accounts held in the name of the Agency. Investment policy requires that these deposits must be invested in fully collateralized interest bearing accounts. The carrying amount and balance of the cash equivalents totaled $55,462,444 at June 30, 2015 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, 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.

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Trust and are held by counterparty or the counterparty's trust department but not in the name of the Trust. At June 30, 2015, 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, 2015, the Agency had the following investments:

Investments:	
Stocks:	
Common stocks	$ 807,357,503
Pooled equity funds	109,513,310
Fixed income securities:	
Government	296,124,449
Corporate bonds—domestic	639,233,144
Corporate bonds—foreign	103,708,160
Preferred stocks:	
Preferred stock—nonconvertible	67,865,694
Preferred stock—convertible	936,660
Mutual fund—diversified stocks and bonds	109,400,713
Total	$ 2,134,139,633

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, 2015 consisted of the following:

Investment Name	Fair Value	Moody Rating
U.S. government sponsored:	(In Thousands)	
U.S. Treasury bond	$ 3,895	AAA
U.S. Treasury note	30,901	AAA
Federal Home Loan Mortgage Corp.	53,110	AAA
Federal National Mortgage Corp.	138,961	AAA
Government National Mortgage Association	17,031	AAA
US Treasury Strip	846	NA
Other	38,145	AAA
Other	1,527	NA
	284,416	
Municipal obligations:		
Municipal bonds	1,379	A2
Municipal bonds	6,039	A3
Municipal bonds	3,505	AA3
Municipal bonds	788	AAA
	11,711	
Corporate bonds (held in U.S. currency):		
Domestic bonds	2,540	A
Domestic bonds	3,176	A1
Domestic bonds	7,261	A2
Domestic bonds	24,530	A3
Domestic bonds	3,053	AA
Domestic bonds	1,465	AA1
Domestic bonds	994	AA2
Domestic bonds	813	AA3
Domestic bonds	24,619	AAA
Domestic bonds	55,902	B1
Domestic bonds	42,613	B2
Domestic bonds	43,332	B3
Domestic bonds	26,037	BA1
Domestic bonds	31,304	BA2
Domestic bonds	54,591	BA3
Domestic bonds	1,288	BAA
Domestic bonds	71,508	BAA1
Domestic bonds	86,135	BAA2
Domestic bonds	60,099	BAA3
Domestic bonds	252	CA
Domestic bonds	10,982	CAA1
Domestic bonds	3,636	CAA2
Domestic bonds	804	CAA3
Domestic bonds	82,298	NA/NR
Corporate bonds	639,232	

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

Foreign bonds (held in U.S. currency):		
Foreign bonds	1,068	A1
Foreign bonds	5,401	A2
Foreign bonds	12,974	A3
Foreign bonds	4,671	AA3
Foreign bonds	7,678	B1
Foreign bonds	3,394	B2
Foreign bonds	2,383	B3
Foreign bonds	15,431	BA1
Foreign bonds	6,930	BA2
Foreign bonds	7,177	BA3
Foreign bonds	990	BAA
Foreign bonds	14,113	BAA2
Foreign bonds	13,236	BAA3
Foreign bonds	8,261	NA/NR
	103,707	
Total fixed income	$ 1,039,066	
Preferred stock—nonconvertible:		
Preferred stock	1,972	A3
Preferred stock	581	B1
Preferred stock	7,900	BA1
Preferred stock	6,763	BA2
Preferred stock	1,267	BA3
Preferred stock	1,282	BAA
Preferred stock	11,552	BAA1
Preferred stock	8,435	BAA2
Preferred stock	16,004	BAA3
Preferred stock	12,111	NA/NR
	$ 67,867	

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 of 5 percent of the bond portfolio at market will be invested in the securities of a single issuer of 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, 2015, Federal National Mortgage Corp. represented 6.5 percent of the Agency's investments.

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Agency's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from the over-concentration of assets in a specific maturity period, a single issuer or an individual class of securities.

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

Investment name	Fair Value	Effective Duration (Years)
U.S. government securities:	(In Thousands)	
U.S. Treasury bond	$ 3,894,500	18.84
U.S. Treasury note	30,900,600	5.32
U.S. Treasury strip	846,100	28.96
Government National Mortgage Association	17,030,700	2.31
Other	39,671,700	5.04
	92,343,600	
Mortgage-backed securities:		
Federal Home Loan Mortgage Corp.	53,110,200	1.75
Federal National Mortgage Corp.	138,960,800	3.72
	192,071,000	
Municipal obligations, municipal bonds	11,710,100	10.16
Corporate bonds (held in U.S. currency):		
Domestic bonds	639,233,100	4.99
Foreign bonds	103,708,200	6.49
	742,941,300	
Total fixed income	$ 1,039,066,000	

Note 3. Leasing Operations

The Agency leases to others approximately 740,100 acres of land belonging to the Trusts as of June 30, 2015, 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, 2015:

Years ending June 30,	
2016	$ 11,003,353
2017	8,169,341
2018	5,229,447
	$ 24,402,141

Note 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 percent. 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 percent of the total value of the assets of the permanent school funds in connection with investment in real property. At June 30, 2015, the Agency owned the following property which is carried at fair value and leased to multiple tenants:

Property		Cost
5005 N. Lincoln	$	3,965,070
119 N. Robinson Ave		9,121,269
City Place (204 N. Robinson Ave)		4,544,425
3017 N. Stiles		1,900,000

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.

The following is a schedule of the future minimum rent due to the Agency under its noncancelable leases at June 30, 2015:

Years ending June 30,		
2016	$	1,912,739
2017		1,356,554
2018		1,055,775
2019		651,617
2020		211,324
	$	5,188,009

Note 5. Other Receivables

Other receivables at June 30, 2015 consisted of the following:

Accrued mineral revenue	$ 11,774,765
Surface leases	393,040
Gas marketing	140,485
Commercial RE Investments	29,538
Other	6,376
Total	$ 12,344,204

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, 2015 was approximately $238,000.

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.

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.

Note 7. Employee Benefit Plans (Continued)

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 2015 and 2014, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5 percent on all salary.

The Agency and employee (combined) contributions to the Plan for the years ended June 30, 2015, 2014, and 2013 were approximately $542,000, $523,000 and $510,000, respectively, and was equal to its required contribution for each year.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2015, the Agency reported a liability of $353,010 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2014 and June 30, 2013, the Agency's proportion was 0.19230889 percent and 0.18889251 percent, respectively, which is an increase of 0.00341638.

Note 7. Employee Benefit Plans (Continued)

For the year ended June 30, 2015, the Agency recognized pension expense of $24,034. At June 30, 2015, 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	$ 20,201	$ -
Differences between expected and actual experience	-	116,872
Net difference between projected and actual investment earnings on pension plan investments	-	1,179,746
OLC contributions subsequent to the measurment date	542,248	-
	$ 562,449	$ 1,296,618

Deferred pension outflows resulting from the Agency's Employer contributions subsequent to the measurement date, totaling $542,248 at June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Deferred inflows totaling $1,179,746 resulting from the difference between projected and actual investment earnings will be recognized in pension expense over five years, beginning in the current year. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense using the average expected remaining life of the Plan. The average expected remaining service life of the Plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 3.14 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows at June 30:

	Deferred Outflows	Deferred Inflows
2016	$ 262,827	(349,550)
2017	262,827	(349,550)
2018	36,796	(302,582)
2019	-	(294,936)
	$ 562,449	$ (1,296,618)

Note 7. Employee Benefit Plans (Continued)

Actuarial assumptions: The total pension liability as of June 30, 2015 and 2014, was determined based on an actuarial valuation prepared as of July 1, 2014, using the following actuarial assumptions:

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2014, 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%
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Note 7. Employee Benefit Plans (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commissioners of the Land Office's proportionate share of the net pension liability (asset)	$ 2,197,757	$ 353,010	$ (1,215,289)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements, June 30, 2014 CAFR, available at http://www.opers.ok.gov/Websites/opers/images/pdfs/CAFR-2014-OPERS.pdf

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

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among various 457 Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the 457 Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the 457 Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the years ended June 30, 2015 and 2014. The Agency believes that it has no liabilities in respect to the State's plan.

Note 8. Capital Assets

The changes in the capital asset accounts for fiscal year 2015 were as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets, not being depreciated, land	$ 5,598,805	$ -	$ (94)	$ 5,598,711
Capital assets, being depreciated:				
Furniture, fixture and equipment	1,376,819	191,388	(83,713)	1,484,494
Land improvements	1,659,299	162,027	(5,111)	1,816,215
Total capital assets, being depreciated	3,036,118	353,415	(88,824)	3,300,709
Less accumulated depreciation, for:				
Furniture, fixture and equipment	420,055	257,740	(83,713)	594,082
Land improvements	372,709	245,706	(5,111)	613,304
Total accumulated depreciation	792,764	503,446	(88,824)	1,207,386
Total capital assets being depreciated, net	2,243,354	(150,031)	0	2,093,323
Governmental activities, capital assets, net	$ 7,842,159	$ (150,031)	$ (94)	$ 7,692,034

Note 9. Commitments and Contingencies

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

Leases: The Agency leases various office equipment, as well as office space and computer equipment for 12-month terms, with options to renew each year. For the year ended June 30, 2015, total rent expense for these items was approximately $243,000 for office space and $75,000 for office equipment and other rents.

Note 10. Risk Management

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

Required Supplementary Information

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

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

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

Notes to Schedule:

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

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

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

	June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required to contribute	$ 542,000	$ 523,000	$ 510,000	$ 480,000	$ 505,000	$ 491,000	$ 476,000	$ 449,000	$ 416,866	$ 374,547
Contributions in relation to the contractually required contributions	542,000	523,000	510,000	480,000	505,000	491,000	476,000	449,000	416,866	374,547
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OLC's covered-employee payroll	3,284,848	3,169,697	3,090,909	2,909,091	3,258,065	3,167,742	3,282,759	3,325,926	3,334,928	3,256,930
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%	16.50%	15.50%	15.50%	14.50%	13.50%	12.50%	11.50%

Other Supplementary Information

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

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual
General Fund (Non-GAAP Budgetary Basis) (Unaudited)
Year Ended June 30, 2015

	Budgeted Amounts			Variance favorable
	Original	Final	Actual	(unfavorable)
Revenues:				
Fees	$ -	$ -	$ 430,171	$ 430,171
Other interest	-	-	761,233	761,233
Total revenues	-	-	1,191,404	1,191,404
Expenditures:				
Administrative	1,007,510	1,631,105	852,895	778,210
Legal	1,138,693	1,409,455	564,745	844,710
Data processing	1,116,527	2,168,166	984,641	1,183,525
Real estate	1,505,692	2,180,901	1,218,884	962,017
Commercial real estate	358,994	727,471	308,520	418,951
Soil conservation	287,016	372,945	348,519	24,426
Accounting/investments	1,339,121	1,944,619	999,938	944,681
Minerals	909,654	1,335,381	760,549	574,832
Royalty Compliance	681,860	970,236	587,015	383,221
Records management	193,533	273,073	140,783	132,290
Total expenditures	8,538,600	13,013,352	6,766,489	6,246,863
Other Financing Sources (Uses):				
Transfers from permanent fund	-	-	12,907,229	(12,907,229)
Transfers to permanent fund	-	-	(20,218,000)	20,218,000
Total other financing sources and uses	-	-	(7,310,771)	7,310,771
Net change in fund balance	(8,538,600)	(13,013,352)	(12,885,856)	2,255,312
Fund Balances, beginning of year		23,390,937	42,675,294	19,284,357
Fund Balances, end of year		$ 10,377,585	29,789,438	$ 21,539,669
Reconciliation to GAAP basis, accrual adjustments			(2,623,561)	
Fund balance			$ 27,165,877	

Commissioners of the Land Office
State of Oklahoma
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Other Supplementary Information
Combining Balance Sheet
General Fund
June 30, 2015

	Revolving 16	CLO	Total
Assets			
Cash and cash equivalents	$ 10,254,515	$ 17,836,324	$ 28,090,839
Other receivables	146,861	-	146,861
Total assets	$ 10,401,376	$ 17,836,324	$ 28,237,700
Liabilities and Fund Balance			
Liabilities, accounts payable and accrued expenses	$ 572,742	$ -	$ 572,742
Due to permanent fund	$ 499,081	$ -	$ 499,081
Equity, fund balances, unreserved	9,329,553	17,836,324	27,165,877
Total liabilities and equity	$ 10,401,376	$ 17,836,324	$ 28,237,700

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to University and College Beneficiaries (Cash Basis)
Year Ended June 30, 2015

University of Oklahoma	$ 9,384,042
Oklahoma State University	7,794,788
Northern Oklahoma College	2,658,321
Langston University	1,890,978
Southeastern Oklahoma State University	1,081,780
University of Central Oklahoma	1,081,780
East Central Oklahoma State University	1,081,780
Northeastern Oklahoma State University	1,081,780
Northwestern Oklahoma State University	1,081,780
Southwestern Oklahoma State University	1,081,780
Cameron University	1,081,780
Oklahoma Panhandle State University	1,081,780
University of Science and Arts	1,081,780
	$ 31,464,149

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis)
Year Ended June 30, 2015

Achille	$	44,760.18
Ada		386,984.23
Adair		153,302.95
Afton		76,884.07
Agra		63,794.76
Albion		11,158.41
Alex		45,858.34
Aline-Cleo		22,341.21
Allen		67,449.14
Allen-Bowden		55,497.63
Altus		537,875.85
Alva		147,922.03
Amber-Pocasset		71,815.81
Anadarko		275,374.29
Anderson		41,987.38
Antlers		146,140.59
Arapaho-Butler		58,093.54
Ardmore		445,372.15
Arkoma		57,208.90
Arnett		28,333.72
Asher		38,883.60
Atoka		118,991.95
Avant		13,083.20
Balko		22,278.69
Banner		27,026.66
Barnsdall		63,659.02
Bartlesville		868,358.85
Battiest		39,954.28
Bearden		16,672.03
Beaver		53,583.50
Beggs		171,355.29
Belfonte		30,516.29
Bennington		40,283.73
Berryhill		187,818.34
Bethany		248,067.00
Bethel		190,906.90
Big Pasture		31,789.85
Billings		9,308.32
Binger-Oney		57,431.58
Bishop		75,560.20
Bixby		828,284.07
Blackwell		202,716.56
Blair		43,324.98
Blanchard		272,929.37
Bluejacket		29,517.30
Boise City		41,659.45
Bokoshe		28,458.81
Subtotal forward		6,490,575.00

(Continued)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2015

Subtotal forwarded	6,490,575.00
Boone-Apache	85,085.10
Boswell	55,221.57
Bowlegs	39,951.24
Bowring	12,357.22
Braggs	25,823.27
Bray-Doyle	57,817.47
Bridge Creek	209,909.42
Briggs	65,231.51
Bristow	244,372.97
Broken Arrow	2,615,842.96
Broken Bow	249,256.69
Brushy	60,341.69
Buffalo	44,987.46
Buffalo Valley	26,026.10
Burlington	21,247.62
Burns Flat-Dill City	95,352.78
Butner	34,629.79
Byars	4,060.93
Byng	257,344.82
Cache	262,173.63
Caddo	68,495.43
Calera	96,534.82
Calumet	42,246.65
Calvin	24,949.29
Cameron	44,816.61
Canadian	69,948.95
Caney	36,941.99
Caney Valley	109,410.61
Canton	56,193.14
Canute	63,283.81
Carnegie	81,749.46
Carney	31,252.96
Cashion	74,248.51
Catoosa	303,956.65
Cave Springs	26,376.89
Cement	34,670.96
Central	78,375.73
Central High	63,155.69
Chandler	167,629.21
Chattanooga	33,565.20
Checotah	220,556.89
Chelsea	134,593.27
Cherokee	53,729.94
Cheyenne	53,554.53
Chickasha	348,982.22
Chisholm	142,310.81
Subtotal forward	13,419,139.46

(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, 2015

Subtotal forwarded	13,419,139.46
Choctaw/Nicoma Park	1,119,241.38
Chouteau-Mazie	127,934.22
Cimarron	40,851.10
Claremore	580,738.69
Clayton	43,953.36
Cleora	16,719.32
Cleveland	233,806.34
Clinton	337,020.03
Coalgate	103,732.26
Colbert	128,585.49
Colcord	86,977.87
Coleman	27,563.50
Collinsville	383,441.17
Comanche	150,964.81
Commerce	128,445.15
Copan	129,877.34
Cordell	110,516.36
Cottonwood	28,265.10
Covington-Douglas	40,660.45
Coweta	466,645.70
Coyle	41,499.30
Crescent	95,662.40
Crooked Oak	161,394.15
Crowder	69,354.13
Crutcho	52,024.76
Cushing	260,752.15
Cyril	49,874.20
Dahlonegah	19,722.42
Dale	104,231.00
Darlington	35,183.42
Davenport	56,252.63
Davidson	11,384.14
Davis	154,640.56
Deer Creek	741,385.52
Deer Creek-Lamont	25,431.29
Denison	43,796.27
Depew	56,986.27
Dewar	56,934.40
Dewey	181,642.78
Dibble	100,935.02
Dickson	193,557.70
Dover	27,757.20
Drummond	48,374.93
Drumright	86,883.32
Duke	27,500.98
Duncan	532,112.10
Subtotal forward	20,940,352.14

(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, 2015

Subtotal forwarded	20,940,352.14
Durant	514,930.65
Eagletown	30,949.47
Earlsboro	32,833.08
Edmond	3,334,451.06
El Reno	352,744.89
Eldorado	14,882.95
Elgin	305,158.50
Elk City	338,717.60
Elmore City-Pernell	72,991.76
Empire	70,527.02
Enid	1,111,668.76
Erick	38,366.54
Eufaula	170,818.42
Fairland	85,144.58
Fairview	105,872.10
Fanshawe	11,327.70
Fargo	30,357.66
Felt	12,830.03
Fletcher	70,037.43
Flower Mound	46,825.32
Forest Grove	24,682.39
Forgan	21,549.62
Fort Cobb-Broxton	47,783.18
Fort Gibson	273,547.09
Fort Supply	17,349.20
Fort Towson	62,847.62
Fox	45,702.78
Foyil	82,324.49
Frederick	126,698.81
Freedom	12,997.80
Friend	32,636.34
Frink-Chambers	62,545.60
Frontier	53,405.05
Gage	13,164.04
Gans	56,964.88
Garber	52,404.53
Geary	59,858.20
Geronimo	52,088.80
Glencoe	49,404.45
Glenpool	367,510.41
Glover	12,863.58
Goodwell	31,742.57
Gore	73,912.96
Gracemont	21,660.96
Graham-Dustin	406,160.65
Grand View	82,451.08
Subtotal forward	29,836,044.74

(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, 2015

Subtotal forwarded	29,836,044.74
Grandfield	37,640.54
Grandview	24,079.94
Granite	40,054.95
Grant	26,199.98
Greasy	13,649.06
Greenville	17,070.11
Grove	62,060.60
Grove	363,729.44
Guthrie	502,213.50
Guymon	414,977.85
Gypsy	17,347.70
Haileyville	52,686.69
Hammon	39,110.84
Hanna	32,233.69
Hardesty	13,540.76
Harmony	33,717.71
Harrah	303,401.45
Hartshorne	110,359.28
Haskell	122,078.95
Haworth	87,670.33
Haywood	18,323.82
Healdton	80,132.78
Heavener	158,830.31
Hennessey	129,415.19
Henryetta	184,569.67
Hilldale	269,602.90
Hinton	99,690.45
Hobart	123,558.42
Hodgen	38,105.73
Holdenville	160,834.41
Hollis	77,456.04
Holly Creek	31,905.77
Hominy	87,751.17
Hooker	92,700.46
Howe	75,480.89
Hugo	166,741.54
Hulbert	88,843.19
Hydro-Eakly	63,678.88
Idabel	180,241.12
Indiahoma	31,063.85
Indianola	34,201.19
Inola	202,179.68
Jay	248,561.18
Jenks	1,613,830.38
Jennings	28,785.20
Jones	164,555.93
Subtotal forward	36,600,908.26

(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, 2015

Subtotal forwarded	36,600,908.26
Justice	23,268.52
Justus-Tiawah	72,886.50
Kansas	128,683.10
Kellyville	158,938.58
Kenwood	15,575.40
Keota	61,818.08
Ketchum	92,130.04
Keyes	10,208.21
Keys	128,019.64
Keystone	46,924.48
Kiefer	96,754.45
Kildare	11,602.23
Kingfisher	205,911.88
Kingston	172,300.89
Kinta	28,025.65
Kiowa	45,559.41
Konawa	102,048.44
Krebs	58,412.30
Kremlin-Hillsdale	45,635.66
Lane	43,710.87
Latta	129,416.72
Laverne	69,679.01
Lawton	2,195,037.31
Le Flore	31,861.52
Leach	22,579.13
Leedey	30,745.09
Lexington	160,250.27
Liberty	36,928.26
Liberty	82,702.73
Lindsay	177,204.44
Little Axe	174,256.22
Locust Grove	211,552.07
Lomega	34,620.63
Lone Grove	212,700.56
Lone Star	126,549.32
Lone Wolf	14,298.79
Lookeba Sickles	38,374.15
Lowrey	21,358.97
Lukfata	53,575.89
Luther	135,415.36
Macomb	46,044.42
Madill	256,266.52
Mangum	102,473.97
Mannford	220,097.80
Mannsville	14,213.39
Maple	22,429.67
Subtotal forward	42,769,954.80

(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, 2015

Subtotal forwarded	42,769,954.80
Marble City	17,814.40
Marietta	151,931.79
Marlow	196,789.60
Maryetta	101,600.50
Mason	40,210.51
Maud	47,432.36
Maysville	53,287.62
McAlester	431,102.31
McCord	34,747.25
McCurtain	35,610.49
McLoud	262,855.38
Medford	43,015.35
Meeker	123,392.15
Merritt	105,866.01
Miami	363,932.29
Middleberg	30,433.95
Midway	36,771.18
Midwest City-Del City	2,080,288.48
Milburn	28,994.13
Mill Creek	21,589.28
Millwood	149,011.03
Minco	86,081.06
Moffett	50,754.25
Monroe	17,677.12
Moore	3,319,479.64
Mooreland	78,029.50
Morris	156,502.84
Morrison	81,121.11
Moseley	32,701.91
Moss	40,608.59
Mounds	85,914.83
Mountain View-Gotebo	37,741.20
Moyers	30,600.19
Muldrow	231,660.37
Mulhall-Orlando	34,774.69
Muskogee	877,179.12
Mustang	1,442,531.53
Nashoba	7,141.01
Navajo	66,093.24
New Lima	40,774.84
Newcastle	281,250.90
Newkirk	122,949.84
Ninnekah	76,742.21
Noble	406,871.39
Norman	2,215,054.08
North Rock Creek	83,404.32
Subtotal forward	57,030,270.64

(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, 2015

Subtotal forwarded	57,030,270.64
Norwood	26,959.53
Nowata	138,435.26
Oak Grove	27,410.99
Oakdale	93,469.17
Oaks Mission	35,848.42
Oilton	37,184.50
Okarche	45,576.18
Okay	56,351.76
Okeene	48,187.34
Okemah	124,551.29
Oklahoma City	6,533,225.96
Oklahoma Union	95,011.16
Okmulgee	222,190.37
Oktaha	111,254.56
Olive	55,050.76
Olustee	24,360.57
Oologah-Talala	263,288.55
Optima	9,651.51
Osage	27,220.35
Osage Hills	26,309.79
Owasso	1,361,204.54
Paden	38,458.04
Panama	107,383.59
Panola	28,834.02
Paoli	38,171.32
Pauls Valley	188,913.45
Pawhuska	122,400.77
Pawnee	112,795.04
Peavine	21,305.58
Peckham	12,136.05
Peggs	36,527.13
Perkins-Tryon	210,969.44
Perry	171,230.22
Piedmont	476,997.28
Pioneer	57,459.06
Pioneer-Pleasant Vale	83,625.46
Pittsburg	20,861.76
Plainview	219,772.94
Pleasant Grove	37,870.84
Pocola	121,423.14
Ponca City	739,614.76
Pond Creek-Hunter	49,027.72
Porter Consolidated	81,908.09
Porum	71,147.77
Poteau	339,603.72
Prague	149,267.26
Subtotal forward	69,930,717.65

(Continued)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2015

Subtotal forwarded	69,930,717.65
Preston	76,234.36
Pretty Water	36,522.56
Prue	45,922.38
Pryor	377,486.78
Purcell	211,286.69
Putnam City	2,778,005.83
Quapaw	87,954.01
Quinton	72,308.45
Rattan	71,516.87
Ravia	14,402.52
Red Oak	36,786.43
Reydon	18,634.97
Ringling	64,687.00
Ringwood	60,050.38
Ripley	66,768.92
Riverside	24,256.86
Robin Hill	37,172.30
Rock Creek	70,469.06
Rocky Mountain	28,231.54
Roff	52,232.18
Roland	159,708.83
Rush Springs	85,870.57
Ryal	11,100.44
Ryan	40,058.00
Salina	117,474.38
Sallisaw	292,808.88
Sand Springs	765,927.58
Sapulpa	563,172.90
Sasakwa	29,041.43
Savanna	58,099.67
Sayre	111,103.57
Schulter	20,692.47
Seiling	61,368.17
Seminole	251,469.75
Sentinel	49,117.70
Sequoyah	198,137.89
Shady Grove	21,314.72
Shady Point	20,851.09
Sharon-Mutual	43,938.11
Shattuck	54,497.10
Shawnee	577,576.94
Shidler	35,030.93
Silo	120,022.98
Skiatook	365,160.07
Smithville	43,070.27
Snyder	64,966.12
Subtotal forward	78,323,228.30

(Continued)

Commissioners of the Land Office
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Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2015

Subtotal forwarded	78,323,228.30
Soper	57,019.79
South Coffeyville	40,466.75
South Rock Creek	60,741.29
Spavinaw	13,463.00
Sperry	170,914.51
Spiro	165,365.80
Springer	31,283.49
Sterling	61,807.42
Stidham	19,284.70
Stigler	197,146.51
Stillwater	869,554.62
Stilwell	195,866.87
Stonewall	64,348.43
Straight	7,589.43
Stratford	100,346.31
Stringtown	35,575.42
Strother	64,162.35
Stroud	119,778.94
Stuart	39,278.60
Sulphur	218,243.15
Sweetwater	19,283.17
Swink	23,935.04
Tahlequah	500,708.13
Talihina	91,208.80
Taloga	9,938.23
Tannehill	26,703.29
Tecumseh	326,070.57
Temple	24,325.50
Tenkiller	41,908.06
Terral	9,744.54
Texhoma	40,661.98
Thackerville	43,932.02
Thomas-Fay-Custer Unified	69,000.29
Timberlake	39,267.94
Tipton	48,532.04
Tishomingo	140,300.59
Tonkawa	101,857.77
Tulsa	5,920,528.11
Tupelo	38,419.93
Turkey Ford	15,036.98
Turner	47,450.66
Turpin	61,703.71
Tushka	63,837.46
Tuskahoma	15,648.60
Tuttle	259,801.95
Twin Hills	55,212.44
Subtotal forward	88,890,483.48

(Continued)

Other Supplementary Information
Schedule of Distributions to Public School Beneficiaries (Cash Basis) (Continued)
Year Ended June 30, 2015

Subtotal forwarded	88,890,483.48
Tyrone	37,138.75
Union	2,247,094.09
Union City	43,463.77
Valliant	132,134.63
Vanoss	76,022.33
Varnum	41,644.20
Velma-Alma	64,630.57
Verden	36,791.01
Verdigris	177,983.84
Vian	142,791.24
Vici	50,461.41
Vinita	234,143.43
Wagoner	336,687.55
Wainwright	19,139.81
Walters	107,652.04
Wanette	29,599.65
Wapanucka	34,754.84
Warner	107,269.23
Washington	143,999.19
Watonga	116,344.18
Watts	53,057.30
Waukomis	55,049.24
Waurika	57,983.73
Wayne	78,698.22
Waynoka	42,080.40
Weatherford	315,494.83
Webbers Falls	38,503.81
Welch	48,054.65
Weleetka	59,829.22
Wellston	98,535.89
Western Heights	531,010.89
Westville	164,906.71
Wetumka	72,322.18
Wewoka	109,816.31
White Oak	8,411.51
White Rock	17,904.38
Whitebead	57,944.07
Whitefield	17,797.62
Whitesboro	30,267.70
Wickliffe	20,637.54
Wilburton	132,011.10
Wilson	73,514.91
Wilson	33,543.82
Wister	86,299.15
Woodall	70,886.97
Woodland	61,662.53
Subtotal forward	95,406,453.92

(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, 2015

Subtotal forwarded	95,406,453.92
Woodward	435,786.22
Wright City	63,831.37
Wyandotte	113,821.51
Wynnewood	102,306.19
Wynona	17,033.50
Yale	67,377.46
Yarbrough	19,399.08
Yukon	1,186,025.55
Zaneis	40,812.95
Zion	47,153.25
	$ 97,500,001.00

Report Required by
Government Auditing Standards

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma (the Agency), as of and for the year ended June 30, 2015, 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, 2015. Our report includes emphasis of matter paragraphs describing a restatement of beginning net position and deferred outflows of resources of the governmental activities due to the adoption of GASB Statement Nos. 68 and 71 and a statement that the Agency is a governmental fund of the State of Oklahoma and the financial statements reflect only the financial position of that governmental fund and not the State of Oklahoma as a whole.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2015-001 that we consider to be a significant deficiency.

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*.

Agency's Response to Finding
The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Oklahoma City, Oklahoma
December 7, 2015

Findings Required to be Reported by *Government Auditing Standards*

FINDING 2015-001—Significant Deficiency in Internal Controls Over Financial Reporting

Finding: Governmental funds financial statements and government-wide financial statements are not prepared using the appropriate measurement focus.

Criteria: The Agency should ensure that separate governmental fund and government-wide financial statements accurately reflect the appropriate basis of accounting for each separate measurement focus of governmental fund and government-wide financial reporting as prescribed by standards issued by the Governmental Accounting Standards Board (GASB).

Condition: Governmental fund financial statements produced by the Agency included transactions that were identified as having been recorded on a basis of accounting that does not coincide with the measurement focus of the financial statements presented.

Cause: The basis of accounting used throughout the year is not consistent for all accounts, year-end adjustments to convert accounts to modified accrual basis for governmental fund financial reporting are not separated from year-end adjustments to convert accounts to accrual basis for government-wide financial reporting in the schedule utilized by the Agency to prepare financial statements, and review procedures in place are not sufficient to ensure that adjustments made result in the proper basis of accounting for all sets of financial statements.

Effect: The lack of sufficient controls surrounding the Agency's year-end adjustment process for financial reporting caused the general and permanent funds presented in governmental fund financial statements to be out of balance by an offsetting $19.4 million. The $19.4 million difference was a result of certain revenue accounts of the general fund totaling $20.2 million being moved to the permanent fund in the Agency's year-end financial statement preparation process rather than recording a transfer between funds as well as certain liability and due to permanent fund accounts of the general fund totaling $866k that were improperly moved to the permanent fund in the prior year financial statements. In addition to the above significant effect, other adjusting entries and reclassifications were necessary to properly present the Agency's financial statements in accordance with applicable standards issued by the Governmental Accounting Standards Board (GASB).

Recommendation: The Agency's management should ensure procedures are in place to record all transactions throughout the year on a consistent basis of accounting and that all entries are made in the year-end adjustment process that are necessary to convert accounts to the appropriate basis of accounting for all financial statements presented. The procedures should include a secondary review of the final year-end adjustment schedule to ensure all necessary adjustments are properly included.

Response and Corrective Action Plan:

Currently, the agency's accounting database does not allow for transfers to be made between funds without overstating revenues and expenditures. In the $20.2 million entry discussed above the agency transferred funds to the multi-year stabilization fund (permanent fund) from the general fund for the benefit of the common schools. This entry was made to the prior year reserve account in error and should have been adjusted though a manual journal voucher for financial reporting purposes. To avoid future errors, the CLO will establish a review process of all nonstandard accounting entries. Any nonstandard accounting entry will be reviewed and adjusted as needed to comply with the proper basis of accounting. The agency will also consider making changes to the database allowing transfers between funds.

RSM