

Commissioners of the Land Office State of Oklahoma

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

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RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma (the Agency), as of and for the year ended June 30, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 of financial statements, the financial statements present only the Agency and do not purport to, and do not, present fairly the financial position of the State of Oklahoma, as of June 30, 2017 or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report for the year ended June 30, 2017 dated November 13, 2017, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

RSM US LLP

Oklahoma City, Oklahoma
November 13, 2017

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Our discussion and analysis of the Commissioners of the Land Office (the Agency), State of Oklahoma's financial performance provides an overview of the Agency's financial activity for the fiscal year ended June 30, 2017. It should be read in conjunction with the financial statements, which begin, on page 9.

Financial Highlights

- Net position is up approximately \$155.6 million. The increase was primarily due to the net increase in fair value of investments. Of the \$66.8 million in mineral revenue, royalties of \$33.1 million were added to the permanent fund and \$33.3 million in lease bonuses and delay rentals were apportioned.
- Interest from investments was up \$1.1 million, from \$54.3 million in fiscal year 2016 to \$55.4 million in fiscal year 2017.
- Actual cash distributions to beneficiaries were up \$1.9 million, from \$141.8 million in fiscal year 2016 to \$143.7 million in fiscal year 2017, primarily due to the a \$4 million special distribution paid from stabilization funds. Of the \$143.7 million in cash distributions during fiscal year 2017, \$34 million were to universities and colleges, \$103.4 million were to public schools, and \$6.3 million were to public buildings.

Overview of the Financial Statements

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

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

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

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

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

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 32 of this report.

**Commissioners of the Land Office
State of Oklahoma
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**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$2.4 billion at the close of the most recent fiscal year.

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

Net Position

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Government-Wide Financial Analysis (Continued)

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

Changes in Net Position

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

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

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

Mineral income increased from \$56.2 million in fiscal year 2016 to \$66.8 million in fiscal year 2017. The increase was due to an increase of both royalty payments and lease bonus payments during the fiscal year.

**Commissioners of the Land Office
State of Oklahoma
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**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported a combined ending fund balance of \$2.4 billion, an increase of \$155.7 million in comparison with the prior year. Approximately \$2.3 billion is restricted and nonexpendable to indicate that it is not available for general purposes because it has already been committed to beneficiaries. Approximately \$1.7 million is assigned for operating expenditures. The remainder of the fund balance is unassigned which is available for spending at the Agency's discretion.

The general fund is the administrative fund of the Agency. At June 30, 2017, the unassigned fund balance was \$24.3 million, or 285 percent of budgeted general fund expenditures, the assigned fund balance was \$1.7 million, or 20 percent of budgeted general fund expenditures, and the restricted fund balance was \$440 thousand, or 5 percent of budgeted general fund expenditures. The unassigned fund balance of the general fund increased by \$10.2 million from June 30, 2016. Operating expenses exceeded revenues for the fund by approximately \$7.3 million but were offset by net transfers from the permanent fund of approximately \$11.1 million.

The entire balance of the permanent fund is for the use and benefit of common education and thirteen Oklahoma colleges and universities. Total revenue, which includes the increase in fair market value of investments, was \$310.9 million compared to \$94.7 million of prior year. Cash apportionments distributed to beneficiaries during 2017 totaled \$143.7 million with \$34 million disbursed to universities and colleges, \$103.4 million disbursed to public schools, and \$6.3 million to public buildings. This was an increase of \$1.9 million from the cash apportionments distributed during fiscal year 2016.

General Fund Budgetary Highlights

For fiscal year 2017, general fund actual expenditures on a budgetary basis were \$7.4 million compared to the budget of \$8.5 million. The \$1.1 million variance was due to a favorable operating expenses variance.

Investment in Land and Mineral Rights

The Agency obtained the majority of the land held in trust from a grant of the United States prior to statehood. The land is mainly in the western portion of Oklahoma, with approximately 40 percent of the land being located in the Oklahoma Panhandle. Management estimates the market value of the land at June 30, 2017 is approximately \$834,000,000 using land values established by in-house appraisers. Each year, one-fifth (1/5) of the land is appraised and that value is carried for five years.

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

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**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017**

Description of Current and Expected Conditions

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

Requests for Information

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

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

**Statement of Net Position
June 30, 2017**

Assets

| | |
|---|---------------------------------------|
| Cash and cash equivalents | \$ 124,265,873 |
| Restricted cash | 440,244 |
| Investments | 2,259,927,304 |
| Property held for investment | 52,170,560 |
| Accrued interest receivable | 11,732,331 |
| Other receivables | 8,185,690 |
| Capital assets: | |
| Land | 5,598,703 |
| Other capital assets, net of depreciation | 1,767,102 |
| Total assets | <u><u>\$ 2,464,087,807</u></u> |

| | |
|---------------------------------|-----------------------------------|
| Deferred outflows of resources: | |
| Deferred pension plan outflows | <u><u>\$ 1,720,940</u></u> |

Liabilities, Deferred Inflows of Resources and Net Position

| | |
|---------------------------------------|------------------------------------|
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 41,608,014 |
| Unearned revenue | 7,651,500 |
| Net pension liability | 1,955,550 |
| Accrued compensated absences | 447,712 |
| Total liabilities | <u><u>\$ 51,662,776</u></u> |

| | |
|--------------------------------|--------------------------------|
| Deferred inflows of resources: | |
| Deferred pension plan inflows | <u><u>\$ 99,993</u></u> |

| | |
|------------------------------|---------------------------------------|
| Net position: | |
| Investment in capital assets | \$ 7,365,805 |
| Restricted | |
| Nonexpendable | 2,382,746,072 |
| Expendable | 440,244 |
| Unrestricted | 23,493,857 |
| Total net position | <u><u>\$ 2,414,045,978</u></u> |

See notes to basic financial statements.

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

**Statement of Activities
June 30, 2017**

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

See notes to basic financial statements.

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

**Balance Sheet—Governmental Funds
June 30, 2017**

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

See notes to basic financial statements.

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

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

See notes to basic financial statements.

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

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

Apportionment: The primary goal of the Commissioners of the Land Office is to support education. To accomplish this goal, monthly distributions are made to both common schools and Oklahoma colleges. The amount that is distributed to the common school districts is calculated from the average daily attendance, which is provided from the Department of Education each fiscal year. Effective in FY2013, House Bill 2927 has enabled the Agency to implement a multi-year education distribution stabilization fund based on a five-year rolling average. This new legislation helps provide consistent distributions for the 517 common school districts. As with common schools, college apportionment is distributed monthly. The college distribution is divided on a percentage basis as outlined in Title 70, section 3904 of the Oklahoma Statutes.

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

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

**Commissioners of the Land Office
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Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Permanent fund: The permanent fund is classified as a governmental fund type and is used to account for all Trust assets, liabilities, fund balances, revenues and distributions to beneficiaries. The permanent fund uses the current financial resources measurement focus and modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when incurred. The permanent fund represents the historic dollar value of the permanent fund assets, along with certain additions, and must be maintained in perpetuity. Additions to the permanent fund are made by the retention of a portion of the revenues generated by assets able to be depleted that are considered a return of principal as a result of production.

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

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

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

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

Deferred inflows of resources: Deferred inflows of resources are the acquisition of net position by the Agency that are applicable to a future reporting period. At June 30, 2017, the Agency had deferred inflows related to pensions of \$99,993. See Note 7 for additional discussion regarding deferred inflows of resources.

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Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources: Deferred outflows of resources are the consumption of net position by the Agency that are applicable to a future reporting period. At June 30, 2017, the Agency had deferred outflows of resources related to pensions of \$1,720,940. See Note 7 for additional discussion regarding deferred outflows of resources.

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

Land: The Federal government granted the Agency upon statehood approximately 3.1 million acres of land, of which approximately 693,000 acres remain at June 30, 2017. This land is held in trust and is stated at \$1 per acre in the financial statements at June 30, 2017. The \$1 per acre was set as a nominal amount for recordkeeping purposes.

The Agency has repossessed approximately 51,000 acres, which had been sold by the Agency, or on which the Agency held a first mortgage as collateral relating to farm loans made by the Agency in prior years. The land was recorded at lower of cost or market at date of foreclosure or repossession as determined by appraisals of the property. At June 30, 2017, repossessed land is carried at approximately \$4,906,000.

Land is considered capital assets and is reported at cost.

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

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

Improvements:

| | |
|-----------------------------------|-------------|
| Reservoirs | 50 years |
| Water wells, erosion control | 20 years |
| Water ways | 10-25 years |
| Other land improvements | 5 years |
| Fixtures, furniture and equipment | 5 years |

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

Income taxes: Since the Agency is considered a governmental unit, it is not subject to income taxes and no amount for taxes has been recorded in the accompanying statements.

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

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Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated absences: In accordance with State policy, employees earn annual leave on a calendar-month basis at rates of 10 to 15 hours per month. Annual leave can be accumulated from 240 to 480 hours, depending on the years of continuous service in State employment. At June 30, 2017, unpaid and accumulated benefits totaled \$447,712. The activity for the year is as follows:

| | |
|-------------------|--------------------------|
| Beginning balance | \$ 439,186 |
| Leave earned | 231,165 |
| Leave used | (222,639) |
| End balance | <u><u>\$ 447,712</u></u> |

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

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

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

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

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Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Note 2. Deposits, Investments and Related Policies

Cash and cash equivalents: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Substantially, all (in excess of 99 percent) of the Agency's deposits are collateralized through the Oklahoma State Treasurer or its investment custodians; however, the Agency does not have a specific policy that reduces the Agency's exposure to custodial credit risk.

The Agency uses a pooled cash concept in maintaining its bank accounts. Cash is pooled for operating and investing purposes and each fund has equity in the pooled amount. For reporting purposes, cash has been allocated to each fund based on its equity in the pooled amount. At June 30, 2017, the carrying amount of the Agency's deposits was \$88,773,880 and the bank balance was \$90,600,440 of which deposits with a carrying amount of \$88,067,942 and a bank balance of \$89,156,546 were deposited at the Office of the State Treasurer. The cash that is deposited with the Oklahoma State Treasurer (OST) is fully insured or collateralized by the State Treasurer. Of funds on deposit with the State Treasurer at June 30, 2017, funds with a bank balance of \$89,611,609 were invested in the State Treasurer's internal investment pool OK INVEST. For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents.

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

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Notes to Basic Financial Statements

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

Participants in OK INVEST maintain interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's investment policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State, the FDIC, or any other government agency.

The Agency's remaining deposits at June 30, 2017 with a carrying amount of \$705,938 and a bank balance of \$1,443,894 were held with a separate financial institution. Of the \$1,443,894, \$1,193,894 was exposed to custodial credit risk at June 30, 2017 because it was uninsured and not collateralized with securities held by the financial institution in the Agency's name.

Cash is also maintained by the Bank of Oklahoma's Trust Department as part of various investments accounts held in the name of the Agency. Investment policy requires that these deposits must be invested in fully collateralized interest bearing accounts. The carrying amount and balance of the cash equivalents totaled \$35,932,237 at June 30, 2017 and consists of an investment in a mutual fund composed of short-term investments with an original maturity date of three months or less, which are readily convertible into cash.

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

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Notes to Basic Financial Statements

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Trust and are held by counterparty or the counterparty's trust department but not in the name of the Trust. At June 30, 2017, the Agency does not have any securities that are not registered in the name of the Trust.

Substantially all investments are held by Bank of Oklahoma Trust Department. At June 30, 2017, the Agency had the following investments:

Investments:

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

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.

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Notes to Basic Financial Statements

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

Fixed income investments and nonconvertible preferred stock by investment rating at June 30, 2017 consisted of the following:

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

(Continued)

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Notes to Basic Financial Statements

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investments in a single issuer. It is generally considered that an increased risk of loss occurs as more investments are acquired from a single issuer. The Agency has formal written policies regarding the concentration of credit risk for both unsecured fixed income investments and equity-type investments. With the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio at market will be invested in the securities of a single issuer or 5 percent of the bond portfolio in an individual issue. Equity managers shall not invest more than 10 percent of its portfolio market value in any one company. Equity managers may invest up to 5 percent of their portfolio's market value at the time of the initial purchase in a single entity. At June 30, 2017, Federal National Mortgage Corp. represented 6.2 percent of the Agency's investments.

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Notes to Basic Financial Statements

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

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

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

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

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

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

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

Level 3: Significant unobservable inputs

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Notes to Basic Financial Statements

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

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

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

Common and preferred stocks classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Preferred stocks classified in Level 2 of the fair value hierarchy are valued using observable inputs from active or inactive markets for the exact or similar securities.

Fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 and 3 are valued using an option-adjusted spread model which considers relevant trade data, benchmark quotes, and spreads. Municipal bonds classified in Level 2 are valued using internal yield curves based on established trading spreads between similar issues, historical trading spreads over widely accepted market benchmarks, new issues scales and market information. U.S. government sponsored asset-backed securities classified in Level 2 and 3 are valued using an option-adjusted spread model that incorporates cash flow, benchmark spread, and deal collateral performance.

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Notes to Basic Financial Statements

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

Pooled equity funds consist solely of a fund of funds containing individual stocks in the Russell 1000 Index. Equity-based mutual funds—domestic consist solely of an open-ended mutual fund containing common stocks of companies primarily in the United States that are characterized by high-dividend yield. Equity-based mutual funds—foreign consist solely of an open-ended mutual fund containing stocks issued by companies located in developed and emerging markets, excluding the United States. The fund of funds and equity-based mutual funds are valued using the net asset value (NAV) of the pool or fund. The Agency has no unfunded commitments related to investments valued at NAV. Shares are redeemable daily at the NAV at the time of redemption for each of these investment types. Commercial real estate classified in Level 3 of the fair value hierarchy are valued by certified appraisers using a blend of a sales comparison approach which determines the value using recent sales prices of comparable properties and an income approach which determines the value using direct capitalization of projected net operating income.

Note 3. Leasing Operations

The Agency leases to others approximately 740,100 acres of land belonging to the Trusts as of June 30, 2017, primarily for agricultural purposes.

The lease terms are generally for five-year periods (on a calendar-year basis) with rents prepaid one year in advance. The annual rental amount is determined by the lessee's maximum bid amount.

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

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

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Notes to Basic Financial Statements

Note 4. Investment Property

With the implementation of the House Bill 1022, the Commissioners of the Land Office have been authorized to acquire, purchase, exchange and grant any real property under its jurisdiction. The Agency shall invest up to 3 percent of the total value of the assets of the permanent school funds in connection with investment in real property. At June 30, 2017, the Agency owned the following property which is carried at fair value and leased to multiple tenants:

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

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

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

Note 5. Other Receivables

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

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

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Notes to Basic Financial Statements

Note 6. Related Party Transactions

During the course of normal operations, the Agency purchases goods and services from other State agencies. The expenditures made to other State agencies during the fiscal year ended June 30, 2017 was approximately \$621,700.

Note 7. Employee Benefit Plans

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

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

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

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

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

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

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

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Notes to Basic Financial Statements

Note 7. Employee Benefit Plans (Continued)

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

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

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

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

For 2017, state agency employers contributed 16.5 percent on all salary, and state employees contributed 3.5 percent on all salary.

The Agency and employee (combined) contributions to the Plan for the year ended June 30, 2017 was approximately \$535,672 and was equal to its required contribution.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2017, the Agency reported a liability of \$1,955,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016, the Agency's proportion was 0.19708621 percent which is an increase of 0.00705722 percent from the prior fiscal year.

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Notes to Basic Financial Statements

Note 7. Employee Benefit Plans (Continued)

For the year ended June 30, 2017, the Agency recognized pension expense of \$434,478. At June 30, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumption | \$ 312,586 | \$ - |
| Differences between expected and actual experience | - | 85,371 |
| Net difference between projected and actual investment earnings on pension plan investments | 824,184 | - |
| Changes in proportion and differences between Agency contributions and proportionate share of contributions | - | 14,622 |
| Total deferred amounts to be recognized in pension expense in future periods | <u>1,136,770</u> | <u>99,993</u> |
| Agency contributions subsequent to the measurement date | 584,170 | - |
| Total deferred amounts related to pension | <u><u>\$ 1,720,940</u></u> | <u><u>\$ 99,993</u></u> |

Deferred pension outflows resulting from the Agency's employer contributions subsequent to the measurement date, totaling \$584,170 at June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred outflows totaling \$824,184 consists of the remaining difference between projected and actual investment earnings originating in fiscal year 2015 of (\$582,880) which is being amortized over five years, starting at the beginning of fiscal year 2015 and the difference between projected and actual investment earnings originating in fiscal year 2016 of \$423,209 which is being amortized over five years, starting at the beginning of fiscal year 2016, and the difference between projected and actual investment earnings originating in fiscal year 2017 of \$983,855 which is being amortized over five years, beginning in the current year. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension consist of amounts originating in current and prior years and will be recognized in pension expense using the average expected remaining life of the Plan as of the beginning of the fiscal year in which each item originated. The average expected remaining service life of the Plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the Plan is estimated at 3.08 years at June 30, 2017 and was estimated at 3.11 years at June 30, 2016. The total future service years are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows at June 30:

| | Deferred Outflows | Deferred Inflows | Total |
|------|----------------------------|---------------------------|----------------------------|
| 2018 | \$ 246,553 | \$ (58,093) | \$ 188,460 |
| 2019 | 245,247 | (38,904) | 206,343 |
| 2020 | 399,006 | (2,996) | 396,010 |
| 2021 | 245,964 | - | 245,964 |
| | <u><u>\$ 1,136,770</u></u> | <u><u>\$ (99,993)</u></u> | <u><u>\$ 1,036,777</u></u> |

**Commissioners of the Land Office
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Notes to Basic Financial Statements

Note 7. Employee Benefit Plans (Continued)

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

- Investment return—7.25 percent compounded annually net of investment expense and including inflation
- Salary increases—4.5 percent to 8.4 percent per year including inflation
- Mortality rates—Active participants and nondisabled pensioners—RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate—3.0 percent
- Payroll growth—4.0 percent per year
- Actuarial cost method—Entry age
- Select period for the termination of employment assumptions—10 years

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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

**Commissioners of the Land Office
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Notes to Basic Financial Statements

Note 7. Employee Benefit Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate: The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Agency's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

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

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements, June 30, 2015 CAFR, available at <http://www.opers.ok.gov/Websites/opers/images/pdfs/CAFR-2016-OPERS.pdf>

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

Under SoonerSave, the untaxed deferred amounts are invested as directed by the participant among various 457 Plan investment options. Effective January 1, 1998, a Trust and Trust Fund covering the 457 Plan assets was established pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC. Under terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the 457 Plan participants and their beneficiaries. Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan audited financial statements for the years ended June 30, 2017 and 2016. The Agency believes that it has no liabilities in respect to the State's plan.

**Commissioners of the Land Office
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Notes to Basic Financial Statements

Note 8. Capital Assets

The changes in the capital asset accounts for fiscal year 2017 were as follows:

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

Note 9. Commitments and Contingencies

Leases: The Agency leases various office equipment, as well as office space and computer equipment for 12-month terms, with options to renew each year. For the year ended June 30, 2017, total rent expense for these items was approximately \$393,000 for office space and \$156,000 for office equipment and other rents.

Note 10. Risk Management

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

Required Supplementary Information

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

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---|---------------|---------------|---------------|
| Agency's proportion of the net pension liability | 0.19708621% | 0.19002899% | 0.19230889% |
| Agency's proportionate share of the net pension liability | \$ 1,955,550 | \$ 683,504 | \$ 353,010 |
| Agency's covered-employee payroll | 3,246,497 | 3,284,848 | 3,169,697 |
| Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60% | 21% | 11% |
| Plan fiduciary net position as a percentage of the total pension liability | 89.47% | 96.00% | 97.90% |

Notes to Schedule:

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

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

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

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

**Commissioners of the Land Office
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**Required Supplementary Information
Notes to the Required Supplementary Information
Oklahoma Public Employees Retirement Plan**

Valuation Date

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

Methods and assumptions used to determine contribution rates:

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

Other Information

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

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

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

Other Supplementary Information

**Commissioners of the Land Office
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**Other Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget to Actual
General Fund (Non-GAAP Budgetary Basis) (Unaudited)
Year Ended June 30, 2017**

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

**Commissioners of the Land Office
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**Other Supplementary Information
Combining Balance Sheet
General Fund**

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

**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, 2017**

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

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, 2017

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

(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, 2017**

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

(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, 2017**

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

**Report Required by
*Government Auditing Standards***

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities and each major fund of the Commissioners of the Land Office, State of Oklahoma (the Agency), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 13, 2017. Our report includes an emphasis of matter paragraph acknowledging that the Agency is a governmental fund of the State of Oklahoma and the financial statements reflect only the financial position of that governmental fund and not the State of Oklahoma as a whole. Our opinion was not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Oklahoma City, Oklahoma
November 13, 2017

