

ANNUAL REPORT



OKLAHOMA PUBLIC SCHOOL LIQUID ASSET POOL

SPONSORED BY THE:

- OKLAHOMA STATE SCHOOL BOARDS ASSOCIATION
- COOPERATIVE COUNCIL OF OKLAHOMA SCHOOL ADMINISTRATION
- ORGANIZATION OF RURAL OKLAHOMA SCHOOLS
- OKLAHOMA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

ANNUAL REPORT | JUNE 30, 2018

For Investment Information Call: Toll Free (866-472-6527)

Or visit: www.OLAPonline.org

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

LETTER FROM THE BOARD OF DIRECTORS

August 2018

To Our Participants:

The Oklahoma Public School Investment Interlocal was organized in August of 1996 and formed the Oklahoma Public Schools Liquid Asset Pool (OLAP) for the purpose of increasing investment returns on school funds to benefit the students of our state. It is the goal of the Board of Directors to develop policies and contracts to give the school districts the best services and protect the participants' investments.

The ability to pool funds allows school districts an alternative investment source through OLAP and provides a competitive rate environment versus other local investment options. The Board believes the program allows school districts to effectively design and implement investment strategies while maintaining safety of principal, liquidity, and yield.

OLAP contracts with Miles Capital, Inc. as the Fund's investment adviser and administrator, Stephen H. McDonald & Associates as marketing agent, and BancFirst as the custodian. KPMG LLP serves as the independent auditor for OLAP.

This financial report includes audited financial results for the fiscal year ended June 30, 2018, management's discussion and analysis covering the past two fiscal years, investment commentary from Miles Capital, Inc. and various statistical data on the pool.

As you will see in this report, the net yield on OLAP has experienced a nice increase with a daily net yield of 1.79% as of June 30, 2018 compared to 0.59% as of June 30, 2017. We encourage you to review this report thoroughly and contact us with comments and suggestions regarding OLAP. Your involvement in OLAP is essential in the Fund's ability to provide competitive investment alternatives. On behalf of the Board of Directors, sponsoring associations and service providers, we thank you for your continued support.

Sincerely,

OLAP Board of Directors

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

BOARD OF DIRECTORS

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Roger Edenborough	Oklahoma State School Boards Association

SERVICE PROVIDERS

Investment Adviser	Miles Capital, Inc.
Administrator	Miles Capital, Inc.
Custodian	BancFirst
Marketing Agent	Stephen H. McDonald & Associates, Inc.
Legal Counsel	Larry Lewis, Attorney
Independent Auditor	KPMG LLP



KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report

The Board of Directors and Participants
Oklahoma Public School Investment Interlocal:

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Public School Investment Interlocal, which comprise the statement of net position, and the schedule of investments, as of June 30, 2018, the statements of operations and changes in net position for each of the years in the two-year period then ended, the financial highlights for each of the years in the five-year period then ended, 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 and financial highlights in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and financial highlights that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and financial highlights. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and financial highlights, 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 and financial highlights.

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



Opinion

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Oklahoma Public School Investment Interlocal as of June 30, 2018, the results of its operations for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary and Other Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, 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 with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of the Fund'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 Fund's internal control over financial reporting and compliance.

KPMG LLP

Des Moines, Iowa
November 14, 2018

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

This section of the Oklahoma Liquid Asset Pool (OLAP) Annual Financial Report presents Management's Discussion and Analysis of the financial position and results of operations for the fiscal years ended June 30, 2018 (FY 18) and 2017 (FY 17). This information is being presented to provide additional information regarding the activities of OLAP, pursuant to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures (Statement Nos. 34, 37, and 38). This discussion and analysis should be read in conjunction with the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis provides an introduction to and overview of the basic financial statements of OLAP. The following components comprise the financial statements: 1) Schedule of Investments, 2) Statement of Net Position, 3) Statements of Operations, 4) Statements of Changes in Net Position, and 5) Notes to Financial Statements.

- The Schedule of Investments lists each security held in the portfolio as of the date of the current fiscal year end.
- The Statement of Net Position shows the financial position (assets and liabilities) of the portfolio as of the date of the current fiscal year end.
- The Statements of Operations display the results of operations (income and expenses) of the portfolio for the two most recent fiscal years.
- The Statements of Changes in Net Position display the results of additions (net investment income, unit sales, and reinvestments) and deductions (dividends and unit redemptions) of the portfolio for the two most recent fiscal years.
- The Notes to Financial Statements describe significant accounting policies and disclose information required under U.S. generally accepted accounting principles.

CONDENSED FINANCIAL INFORMATION AND FINANCIAL ANALYSIS

Year-over-year variances in most financial statement amounts reported in OLAP are most significantly impacted by the level of average net position (which fluctuates based on the overall levels of participant/unitholder invested balances) in the portfolio. Additionally, changes in the short-term interest rate environment (which follows the general trend established by monetary policy set by the Federal Reserve) contribute to year-over-year variances in the amount of investment income earned by the portfolio. Over the twelve months ended June 30, 2018, the Federal Reserve's Federal Open Market Committee increased the Fed Funds rate by 0.25 percent three times. The Fed Funds rate increases were on December 13, 2017 to 1.50 percent, March 21, 2018 to 1.75 percent and June 13, 2018 to 2.00 percent.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (continued)

Condensed financial information and explanations of changes for FY 18, as compared to FY 17, follow:

Net Position	June 30, 2018	Percent Change	June 30, 2017
Total investments	\$ 74,017,095	19%	\$ 62,187,079
Excess of other assets over total liabilities	11,863	-39%	19,370
Net position held in pool for participants	<u>\$ 74,028,958</u>	19%	<u>\$ 62,206,449</u>
Average net position	<u>\$ 64,351,746</u>	40%	<u>\$ 45,827,240</u>

Total investments and net position increased 19 percent during FY 18 compared to FY 17. During FY 18, average net position increased 40 percent to \$64,351,746 compared to average net position of \$45,827,240 during FY 17.

Change in Net Position for the years ended	June 30, 2018	Percent Change	June 30, 2017
Investment income	\$ 987,604	255%	\$ 277,899
Net expenses	(210,743)	43%	(147,590)
Dividends to unitholders from net investment income	(776,861)	496%	(130,309)
Net increase in net position	<u>11,822,509</u>	-8%	<u>12,891,513</u>
Net position held in pool for participants at the beginning of the period	<u>62,206,449</u>	26%	<u>49,314,936</u>
Net position held in pool for participants at the end of the period	<u>\$ 74,028,958</u>	19%	<u>\$ 62,206,449</u>

Investment income increased 255 percent and dividends to unitholders from net investment income increased 496 percent during FY 18 compared to FY 17. Total net expenses increased 43 percent during FY 18 compared to FY 17 due to the increase in average net position.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited) (continued)

Condensed financial information and explanations of changes for FY 17, as compared to FY 16, follow:

Net Position	June 30, 2017	Percent Change	June 30, 2016
Total investments	\$ 62,187,079	26%	\$ 49,305,902
Excess of other assets over total liabilities	19,370	114%	9,034
Net position held in pool for participants	\$ 62,206,449	26%	\$ 49,314,936
Average net position	\$ 45,827,240	27%	\$ 36,109,040

Total investments and net position increased 26 percent during FY 17 compared to FY 16. During FY 17, average net position increased 27 percent to \$45,827,240 compared to average net position of \$36,109,040 during FY 16.

Change in Net Position for the years ended	June 30, 2017	Percent Change	June 30, 2016
Investment income	\$ 277,899	104%	\$ 136,557
Net expenses	(147,590)	31%	(112,492)
Dividends to unitholders from net investment income	(130,309)	441%	(24,065)
Net increase or decrease in net position	12,891,513	69%	7,644,131
Net position held in pool for participants at the beginning of the period	49,314,936	18%	41,670,805
Net position held in pool for participants at the end of the period	\$ 62,206,449	26%	\$ 49,314,936

Investment income increased 104 percent and dividends to unitholders from net investment income increased 441 percent during FY 17 compared to FY 16. Total net expenses increased 31 percent during FY 17 compared to FY 16. Units sold increased 6 percent and units redeemed decreased 2 percent.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

SCHEDULE OF INVESTMENTS

June 30, 2018

Principal Amount	Description	Yield on Date of Purchase	Maturity Date	Amortized Cost
U.S. Government Agency Obligations (6.76%)				
5,000,000	US Treasury	1.96%	10/31/18	\$5,004,056
Total (cost -- \$5,004,056)				5,004,056
Deposit Accounts (89.10%)				
65,948,470	Federally Insured Cash Account	2.13%		65,948,470
Total (cost -- \$65,948,470)				65,948,470
Repurchase Agreements (4.14%)				
1,564,569	RBC Capital Markets LLC	2.07%	07/02/18	1,564,569
1,500,000	BMO Capital Markets LLC	2.07%	07/02/18	1,500,000
Total (cost -- \$3,064,569)				3,064,569
(Purchased on 6/29/18; proceeds at maturity \$3,065,098; collateralized by \$20,066,830 U.S. Government Agencies with maturities ranging from 10/25/40 to 05/1/48, collateral worth \$3,125,861)				
Total Investments (cost -- \$74,017,095)				\$74,017,095

See accompanying notes to financial statements.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Investment in securities, at amortized cost	
U.S. Government Agency Obligations	\$ 5,004,056
Deposit Accounts	65,948,470
Repurchase Agreements	3,064,569
Interest receivable	143,743
Total assets	74,160,838

LIABILITIES

Administration fees payable	7,775
Investment advisory fees payable	6,480
Distribution fees payable	3,078
Dividends payable	114,547
Other accrued expenses	0
Total liabilities	131,880

NET POSITION HELD IN POOL FOR PARTICIPANTS	\$ 74,028,958
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Shares of beneficial interest outstanding	74,028,958
Net asset value - offering and redemption price per share	\$1.00

See accompanying notes to financial statements.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

STATEMENTS OF OPERATIONS

For the Years Ended June 30,

	2018	2017
INVESTMENT INCOME		
Interest	\$987,604	\$277,899
EXPENSES		
Administration fees	77,222	54,993
Investment advisory fees	64,352	45,827
Consulting fees	70,787	50,410
Distribution fees	61,134	43,536
Other expenses	38,602	25,002
Total expenses	312,097	219,768
Less: expenses voluntarily reduced / waived		
Administration fees	0	0
Investment advisory fees	0	0
Consulting fees	(70,787)	(50,410)
Distribution fees	(30,567)	(21,768)
Total expenses voluntarily reduced / waived	(101,354)	(72,178)
Net expenses	210,743	147,590
NET INVESTMENT INCOME	\$776,861	\$130,309

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended June 30,

	2018	2017
ADDITIONS		
From investment activities:		
Net investment income	\$776,861	\$130,309
From unit transactions:		
(at constant net asset value of \$1 per unit)		
Units sold	128,889,176	70,684,279
Units issued in reinvestment of dividends		
from net investment income	688,383	108,702
Total additions	130,354,420	70,923,290
DEDUCTIONS		
Dividends to unitholders from:		
Net investment income	(776,861)	(130,309)
From unit transactions:		
Units redeemed	(117,755,050)	(57,901,468)
Total deductions	(118,531,911)	(58,031,777)
Net increase in net position	11,822,509	12,891,513
Net position held in pool for participants at beginning of period	62,206,449	49,314,936
Net position held in pool for participants at end of period	\$74,028,958	\$62,206,449

See accompanying notes to financial statements.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – ORGANIZATION

The Oklahoma Public School Investment Interlocal (OLAP) was established on August 22, 1996, pursuant to the Interlocal Cooperative Agreement and commenced operations on November 20, 1996. OLAP's Declaration of Trust authorizes the creation of several investment portfolios within OLAP. OLAP currently consists of the Liquid Asset Pool (the "Fund"), therefore, these financial statements and related notes encompass only the Liquid Asset Pool. Shares of the Fund are offered exclusively to Oklahoma school districts. The purpose of the Fund is to enable school districts to pool their available funds for investment through an interlocal authorized under Section 5-117b of Title 70 of the Oklahoma Statutes.

OLAP is exposed to various risks in connection with operation of the Fund and adheres to policies which attempt to mitigate market risk in the portfolio through the investment policy and maintains insurance coverage for fidelity and errors and omissions exposures. OLAP has had no claims or settlements under its insurance coverage since its organization in 1996. OLAP has exposure to concentration risk due to one participant currently accounting for 59% of the Fund assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net investment income during the year. Actual results could differ from those estimates.

The statement of net position and statements of operations and changes in net position are prepared using the accrual basis of accounting.

Investments in Securities

The Fund's portfolio consists of cash and short-term investments at amortized cost which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording amortization or accretion of any premium or discount.

Security transactions are accounted for on the trade date (date the order to buy or sell is executed). In computing net investment income, the Fund amortizes / accretes any premiums or discounts on securities owned using the effective interest method as required under GAAP. Interest income on debt securities is accrued daily. Gains or losses realized upon the sale of securities are based on the amortized cost and are determined using the identified cost method.

OLAP is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured depository institutions; federally insured depository institutions through an American Money Market account (AMMA); and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and that OLAP's custodian takes delivery of the collateral either directly or through an authorized custodian.

In connection with transactions in repurchase agreements, it is OLAP's policy that the underlying collateral securities value exceeds the principal amount of the repurchase transaction, including accrued interest at all times. If the seller were to default on its repurchase obligations and the value of the collateral declines, realization of the collateral by OLAP may be delayed or limited. At June 30, 2018, the securities purchased under overnight agreements to resell were collateralized by U.S. Government Agency Securities with a fair value of \$3,125,861 with maturities ranging from October 25, 2040 to May 1, 2048.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Under Governmental Accounting Standards as to custodial credit risk, OLAP held securities whose Standard & Poor's credit ratings were 8.9 percent AA+, 2.0 percent AA- and 89.1 percent NR. Securities which carry an NR rating are bank deposit accounts.

Management attempts to limit OLAP's exposure to interest rate risk and believes this is addressed by the fact that securities are limited by investment policy and statute to investments of high quality with durations not to exceed 397 days. Management does not believe that any significant change in market interest rates would present long-term risk to OLAP.

Share Issues, Redemptions and Distributions

The Fund determines the net position value daily. Shares are issued and redeemed daily at the daily net position value. Dividends from net investment income are declared daily and distributed monthly.

Income Taxes

The Fund is exempt from both state and federal income taxes pursuant to Section 115 of the Internal Revenue Code.

NOTE 3 – FUND EXPENSES

Investment Advisory Fee

Pursuant to an Investment Advisory Agreement with the Fund, the Investment Adviser, Miles Capital, Inc. ("Miles"), provides investment advice and generally supervises the investment program of the Fund. Miles receives 0.10 percent of the average daily net position value up to \$250 million, 0.09 percent from \$250 to \$500 million, and 0.07 percent exceeding \$500 million. For the years ended June 30, 2018 and 2017, OLAP paid \$64,352 and \$45,827, respectively, to Miles for advisory services.

Administration Fee

Under an Administration Agreement with the Fund, the Administrator, Miles, services all participant accounts, determines and allocates income of the Fund, provides administrative personnel, equipment and office space, determines the net position value of the Fund on a daily basis and performs all related administrative services. The Administrator pays the Fund's expenses for printing certain documents and for administrative costs of the Fund (such as postage, telephone charges, and computer time). Miles is paid at an annual rate equal to 0.12 percent of the Fund's average daily net position. For the years ended June 30, 2018 and 2017, OLAP paid \$77,222 and \$54,993, respectively, to Miles for administration services.

Distribution Fee

Under a Distribution Agreement with the Fund, Stephen H. McDonald & Associates, Inc. ("McDonald") provides marketing services for which it is paid at an annual rate equal to 0.095 percent of the Fund's average daily net position. For the years ended June 30, 2018 and 2017, OLAP paid \$30,567 and \$21,768, respectively, to McDonald for marketing services net of waivers. For the years ended June 30, 2018 and 2017, McDonald voluntarily waived \$30,567 and \$21,768 of distribution fees respectively.

Consulting Fee

The Fund has entered into separate Consulting Agreements with the Cooperative Council of Oklahoma School Administration ("CCOSA"), Organization of Rural Oklahoma Schools ("OROS"), Oklahoma Association of School Business Officials ("OASBO"), and Oklahoma State School Boards Association ("OSSBA"), collectively called the Consultants. Pursuant to these agreements, the Consultants will advise the Administrator, as a representative of the Fund, on applicable and pending state laws affecting the Fund, schedule and announce, through their publications, informational meetings and seminars at which representatives of the Fund will speak, provide mailing lists of potential participants and permit the use of their logos. The Consultants are paid fees at annual rates equal to 0.035 percent of the Fund's average daily net position for CCOSA, 0.02 percent for OROS, 0.02 percent for OASBO, and 0.035 percent for OSSBA. Beginning April 16, 2009, the consulting fee was voluntarily waived to zero. For the years ended June 30, 2018 and 2017, the Consultants voluntarily waived \$70,787 and \$50,410 of fees respectively.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Custody Fee

Pursuant to a Custody agreement with the Fund, the Custodian, BancFirst, acts as custodian for the Fund's assets. BancFirst is paid a monthly fee of 0.02 percent of the average daily net position value plus transaction-based fees with a monthly minimum fee of \$1,000 per month.

Other Fund Expenses

The Fund pays out-of-pocket expenses incurred by its directors and officers (in connection with the discharge of their duties), audit fees, and legal fees.

All fees are computed daily and paid monthly. Fee waivers are voluntary and may end at any time with no recovery of previously waived fees.

NOTE 4 – Fair Value Measurements

The framework for measuring fair value establishes a fair value hierarchy that prioritizes the inputs used in the valuation techniques to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. These inputs are summarized into three broad levels as described below:

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, and evaluated quotations obtained from pricing services); or
- Level 3 – significant unobservable inputs (including OLAP's own assumptions in determining the fair value of investments.)

Securities in OLAP are valued at amortized cost, which approximates fair value. These approximate fair values are all considered level 2 valuations. There were no transfers between levels of the fair value hierarchy for the years ended June 30, 2018 or 2017.

NOTE 5 – SECURITIES TRANSACTIONS

Purchases of portfolio securities for the Fund aggregated \$4,555,950,213 and \$2,983,675,374 for FY 18 and FY 17, respectively. Proceeds from maturities and sales of securities for the Fund aggregated \$4,544,062,472 and \$2,970,665,799 for FY 18 and FY 17, respectively.

NOTE 6 – SUBSEQUENT EVENTS

OLAP has evaluated the effects of events that occurred subsequent to June 30, 2018, and there have been no material events that would require recognition in the financial statements or disclosure in the notes to the financial statements.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

FINANCIAL HIGHLIGHTS

Selected data for a share of beneficial interest outstanding throughout each period:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net asset value, beginning of period	\$1.0000	\$1.000	\$1.0000	\$1.0000	\$1.0000
Net investment income	\$0.0121	\$0.0028	\$0.0007	\$0.0003	\$0.0003
Dividends to participants	(\$0.0121)	(\$0.0028)	(\$0.0007)	(\$0.0003)	(\$0.0003)
Net asset value, end of period	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0003
<hr/>					
Total investment return	1.12%	0.24%	0.07%	0.03%	0.03%
Ratio of expenses to average net position, after waivers	0.33%	0.32%	0.31%	0.20%	0.19%
Ratio of net investment income to average net position, after waivers	1.21%	0.28%	0.07%	0.03%	0.03%
Ratio of expenses to average net position, before waivers	0.48%	0.48%	0.49%	0.47%	0.51%
Ratio of net investment income to average net position, before waivers	1.05%	0.13%	(0.11%)	(0.23%)	(0.30%)
Net position, end of period (000's omitted)	\$74,029	\$62,206	\$49,315	\$41,671	\$51,090

See accompanying Independent Auditors' Report.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

INVESTMENT COMMENTARY (unaudited)

Market Volatility is Picking Up; Investors Have Plenty to Keep an Eye On

Financial market volatility picked up in late 2017 and early 2018 and remains a focus for investors as they decipher the effects of tax stimulus, the acceleration of fiscal spending, trade wars and related rhetoric, and possible inflationary pressures emerging. Nevertheless, the U.S. economy is showing strong resilience and could average 3% growth in 2018.

Consumer activity, which represents approximately two-thirds of the U.S. Gross Domestic Product (GDP), has displayed confidence and strength in this economy. Consumer spending and home buying have remained strong, and the housing supply remains tight. However, consumer saving is a relatively low rate of 3 percent, which suggests people are spending their income. Labor markets have continued to strengthen over the past year with approximately 3.8 percent unemployment and we may be seeing the start for sustainable wage growth ahead. First quarter 2018 corporate earnings were up nearly 25 percent and revenues were up 8 percent, which is high relative to an average earnings increase of 6 percent for the period of 2010-2017.

The Federal Reserve (Fed) raised rates once in late 2017 and again in March and June 2018 and is expected to do so one to two more times in 2018. These moves are pushing up short term interest rates while longer term rates have been more sluggish to move higher. The difference between short term and long term rates has narrowed to levels not seen in nearly a decade and is driving more investors to shorter-term securities. We believe this flattening of the yield curve is likely to slow in the coming quarters. Market participants are closely watching for signs that the Fed may raise rates at a different pace than anticipated due to changes in the economy or inflation.

While China is the largest overall trading partner and garners the most news attention, Canada and Mexico are both nearly as large and receive more U.S. exports. For this reason, discussions around NAFTA are impactful to U.S. markets. The overall magnitude of the tariffs announced to date is very small relative to the overall U.S. economy. The potential risk is that further retaliatory tariffs and other barriers to commerce may be put into place which may have far wider implications.

There are several risks to the economy that we are monitoring including trade concerns, unexpected inflation, diminishing global growth, and yield curve flattening. While risks abound as always, we remain optimistic for the economy for the remainder of the year.

We appreciate the opportunity to manage the OLAP Portfolio and look forward to serving your investment needs in the new fiscal year.



Doug Earney, CFA
Director, Fixed Income
Miles Capital, Inc.

The views expressed herein are provided for informational purposes only and are believed to be correct, but accuracy and completeness cannot be guaranteed and should not be relied upon for legal or investment decision purposes. All expressions of opinion and predictions presented are subject to change without notice. Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is not a guarantee of future results.

OKLAHOMA PUBLIC SCHOOL INVESTMENT INTERLOCAL

STATISTICAL SECTION (unaudited)

MAJOR PARTICIPANTS

	Top Ten Participants		Top Twenty Participants	
	Percent	Total Assets	Percent	Total Assets
as of June 30,				
2018	100%	\$73,747,716	100%	\$74,028,953
2017	100%	\$61,943,176	100%	\$62,206,439
2016	100%	\$49,124,592	100%	\$49,314,921
2015	99%	\$41,327,370	100%	\$41,670,779
2014	98%	\$50,275,535	100%	\$51,089,335

CHANGES IN PARTICIPANT NET POSITION UNDER MANAGEMENT

	<u>Net Position</u>	<u>Annual Change</u>
as of June 30,		
2018	\$74,028,958	19%
2017	\$62,206,450	26%
2016	\$49,314,936	18%
2015	\$41,670,805	(18%)
2014	\$51,089,830	26%

CHANGES IN NET POSITION

For the Years Ended June 30,
(dollars in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ADDITIONS					
From investment activities:					
Net investment income	\$ 777	\$ 130	\$ 24	\$ 11	\$ 11
From unit transactions:					
Units sold	128,889	70,684	66,425	91,921	117,957
Units issued in reinvestment of dividends from net investment income	688	109	19	11	11
Total additions	<u>130,354</u>	<u>70,923</u>	<u>66,468</u>	<u>91,942</u>	<u>117,979</u>
DEDUCTIONS					
Dividends to unitholders from:					
Net investment income	(777)	(130)	(24)	(11)	(11)
From unit transactions:					
Units redeemed	<u>(117,755)</u>	<u>(57,901)</u>	<u>(59,800)</u>	<u>(101,351)</u>	<u>(107,313)</u>
Total deductions	<u>(118,532)</u>	<u>(58,032)</u>	<u>(59,824)</u>	<u>(101,351)</u>	<u>(107,324)</u>
Net increase (decrease) in net position	11,823	12,891	7,644	(9,419)	10,655
Net position at beginning of period	<u>62,206</u>	<u>49,315</u>	<u>41,671</u>	<u>51,090</u>	<u>40,435</u>
Net position at end of period	<u>\$ 74,029</u>	<u>\$ 62,206</u>	<u>\$ 49,315</u>	<u>\$ 41,671</u>	<u>\$ 51,090</u>

Oklahoma Liquid Asset Pool
2901 N. Lincoln Boulevard
Oklahoma City, OK 73105
(866) 472-OLAP
www.OLAPonline.org