Oklahoma Law Enforcement Retirement Plan

Administered by

Oklahoma Law Enforcement Retirement System

Financial Statements

June 30, 2016 and 2015
(With Independent Auditors' Report Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
Administered by
OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of the
Oklahoma Law Enforcement Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Law Enforcement Retirement Plan (the "Plan"), administered by the Oklahoma Law Enforcement Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statements of fiduciary net position as of June 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years 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 in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinion.

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2016 and 2015, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2016 the Plan adopted new accounting guidance, Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application* (GASB 72). Adoption of this statement resulted in revised disclosures related to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages I-1 through I-5 and the schedule of changes in employer agencies' net pension liability, the schedule of employer agencies' net pension liability, the schedule of contributions from employer agencies and other contributing entities, the schedule of investment returns, and the related notes to required supplementary information on pages 52 through 57 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Finley & Cook, PLLC

Shawnee, Oklahoma
October 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the financial performance of the Oklahoma Law Enforcement Retirement Plan, administered by the Oklahoma Law Enforcement Retirement System (collectively referred to as the "System") provides an overview of the System's activities for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the System's financial statements, which begin on page 3.

Financial Highlights

	June 30,		
	2016	2015	2014
• Fiduciary net position restricted for pensions	$ 853,583,637	895,140,717	879,906,496
• Contributions:			
State agencies	10,219,356	9,438,391	8,566,411
Plan members	6,866,274	6,389,911	5,787,446
Insurance premium tax	12,823,301	12,671,293	11,185,500
Other state sources	10,157,348	10,189,814	9,979,377
	40,066,279	38,689,409	35,518,734
• Net investment (loss) income	(22,244,141)	34,802,362	121,401,449
• Benefits paid, refunds, and other deductions	59,379,218	58,257,550	50,703,253
• Net (decrease) increase in fiduciary net position	(41,557,080)	15,234,221	106,216,930

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This following discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of 1) the statements of fiduciary net position, 2) the statements of changes in fiduciary net position, and 3) notes to basic financial statements. This report also contains required supplementary information. The System is a component unit of the State of Oklahoma and together with other similar funds comprise the fiduciary pension trust funds of the State of Oklahoma. The financial statements are presented using the economic measurement focus and the accrual basis of accounting. The System's statements offer short-term and long-term financial information about the activities and operations of the System. These statements are presented in a manner similar to those of a private business.

The statements of fiduciary net position represent the fair value of the System's assets as of the end of the fiscal year. The difference between assets and liabilities, called "fiduciary net position," represents the value of assets held in trust for future benefit payments. Over time, increases and decreases in the System's net position can serve as an indicator of whether the financial position of the System is improving or declining.

The statements of changes in fiduciary net position are presented in order to show the changes in net position during the year. The activity primarily consists of contributions to the System, unrealized and realized gains and losses on investments, investment income, benefits paid, and investment and administrative expenses.

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO PRIOR YEARS

The following table summarizes the fiduciary net position as of June 30:

	2016	2015	2014
Cash and cash equivalents	$ 11,292,439	11,408,567	10,993,097
Receivables	5,878,411	5,873,732	5,285,439
Investments, at fair value	845,871,568	891,289,904	875,086,516
Securities lending short-term collateral	73,055,009	76,249,829	75,432,636
Capital assets, net	4,736	5,920	-
Total assets	936,102,163	984,827,952	966,797,688
Liabilities	82,518,526	89,687,235	86,891,192
Fiduciary net position	$ 853,583,637	895,140,717	879,906,496

Investments are made in accordance with the investment policy approved by the Oklahoma Law Enforcement Retirement System Board of Trustees. A more detailed description of the types of investments held and the investment policy is presented in Note 2 and Notes 4 through 8 to the financial statements.

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO PRIOR YEARS, CONTINUED

The following table summarizes the changes in fiduciary net position between fiscal years 2016, 2015, and 2014:

	2016	2015	2014
Additions			
Contributions	$ 40,066,279	38,689,409	35,518,734
Net investment (loss) income	(22,244,141)	34,802,362	121,401,449
Total additions	17,822,138	73,491,771	156,920,183
Deductions			
Benefits paid, including health insurance payments and refunds	51,114,264	47,451,881	43,818,638
Deferred option benefits	7,233,620	9,736,391	5,958,003
Administrative expenses	1,031,334	1,069,278	926,612
Total deductions	59,379,218	58,257,550	50,703,253
Net (decrease) increase in fiduciary net position	**(41,557,080)**	**15,234,221**	**106,216,930**
Fiduciary net position, beginning of year	895,140,717	879,906,496	773,689,566
Fiduciary net position, end of year	$ 853,583,637	895,140,717	879,906,496

ANALYSIS OF THE OVERALL FINANCIAL NET POSITION AND THE CHANGES IN NET POSITION

Funding for the System is derived primarily from contributions from employer agencies and the System members, as well as from funds received from motor license agents for the System's share of fees, taxes, and penalties, from the State of Oklahoma Insurance Department for the System's share of insurance premium taxes, and from net investment income generated on assets held. In total, contributions increased during fiscal year 2016 compared to 2015 primarily due to raises given in fiscal year 2015 were fully realized. In the prior period, contributions increased during fiscal year 2015 compared to 2014 primarily due to Department of Public Safety salary increases in January 2015. The System received 5% of total insurance premium tax collected for the years ended June 30, 2016 and 2015.

The System's net yield on average assets was approximately (2)% for the fiscal year ended June 30, 2016. Net investment income earnings decreased from $35 million for the fiscal year ended June 30, 2015, to $(22) million for the fiscal year ended June 30, 2016, as a result of the System being diversified and not fully in equities. As the System accounts for its investments at fair value, rises and declines in the prices of stocks and bonds have a direct effect and impact on the net position and changes in net position of the System. The System's net yield on its average assets and the yield for the S&P 500 were as follows for the years ended June 30:

	2016	2015	2014
System	(2)%	4%	16%
S&P 500	4%	7%	25%

In fiscal years 2016 and 2015, benefit expenses, including health insurance payments and refunds, increased during the year by approximately 8% each year. During the fiscal year 2016, deferred option benefits decreased approximately 26% compared to 2015 due to salary increases enticing members to stay longer. During the fiscal year 2015, deferred option benefits increased approximately 63% compared to 2014 due to an increased number of plan participants converting to the "Back" DROP program.

Administrative expenses are composed primarily of payroll and related expense for the employees of the System, legal and professional fees, and medical and travel costs. During fiscal year 2016 total administrative expenses decreased approximately 4% and during fiscal year 2015 total administrative expenses increased approximately 15% due to an increase in general operating expenses.

The overall fiduciary net position decreased for the fiscal year ended June 30, 2016, and increased for the fiscal years ended June 30, 2015, and 2014, principally due to market value fluctuations.

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON THE NET POSITION OR CHANGES IN NET POSITION

While the System is directly impacted by the overall stock market changes, investments are made based on the expected long-term performance and in the best interest of the members of the System. With over $936 million of total assets and a wide range of diversity of investments, the System has the financial resources to maintain its current investment strategies, while continuing to review for other investment options to benefit its members.

Presently, the System receives 5% of total taxes collected on insurance premiums. The System received insurance premium taxes of approximately $13 million in the years ended June 30, 2016 and 2015, and $11 million in the year ended June 30, 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the System's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of the System, c/o Oklahoma Law Enforcement Retirement System, 421 N.W. 13th Street, Suite 100, Oklahoma City, Oklahoma 73103.

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
Administered by
OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

June 30,	*2016*	*2015*
Assets		
Cash	$ 246,868	372,430
Short-term investments	11,045,571	11,036,137
Total cash and cash equivalents	11,292,439	11,408,567
Receivables:		
Interest and dividends receivable	861,271	789,004
Contributions receivable:		
State agencies	812,164	791,694
Plan members	580,409	564,181
Other state sources	919,538	963,702
Insurance premium tax	2,656,717	2,744,296
Other	48,312	20,855
Total receivables	5,878,411	5,873,732
Investments, at fair value:		
U.S. government securities	62,049,742	59,224,024
Domestic corporate bonds	121,031,737	114,661,577
International corporate bonds	71,674,611	73,424,195
Domestic common and preferred stock	282,082,496	320,429,541
International common and preferred stock	195,160,479	211,407,329
Real estate funds	69,912,939	63,616,579
Commodities	17,906,633	21,231,443
Alternative investments	22,252,931	23,495,216
Real estate—building	3,800,000	3,800,000
Total investments, at fair value	845,871,568	891,289,904
Securities lending short-term collateral	73,055,009	76,249,829
Capital assets, net of accumulated depreciation	4,736	5,920
Total assets	936,102,163	984,827,952
Liabilities		
Accounts payable	550,041	832,582
Net payable to brokers	8,376,933	9,995,318
Deferred option benefits due and currently payable	536,543	2,609,506
Securities lending collateral payable	73,055,009	76,249,829
Total liabilities	82,518,526	89,687,235
Fiduciary net position restricted for pensions	**$ 853,583,637**	**895,140,717**

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended June 30,	*2016*	*2015*
Additions:		
Contributions:		
State agencies	$ 10,219,356	9,438,391
Plan members	6,866,274	6,389,911
Insurance premium tax	12,823,301	12,671,293
Other state sources	10,157,348	10,189,814
Total contributions	40,066,279	38,689,409
Investment income:		
From investing activities:		
Net (depreciation) appreciation in fair value of investments	(31,178,006)	26,933,136
Interest	7,823,872	7,414,284
Dividends	4,270,315	4,495,498
Net rental income (loss)	221,867	(22,940)
Total investment (loss) income	(18,861,952)	38,819,978
Less: investment expense	(3,610,107)	(4,263,270)
(Loss) income from investing activities	(22,472,059)	34,556,708
From securities lending activities:		
Securities lending income	338,005	196,412
Securities lending expenses:		
Management fees	(97,481)	(105,029)
Borrower rebates	(12,606)	154,271
Income from securities lending activities	227,918	245,654
Net investment (loss) income	(22,244,141)	34,802,362
Total additions	17,822,138	73,491,771
Deductions:		
Benefit payments	49,333,005	45,922,323
Deferred option benefits	7,233,620	9,736,391
Health insurance payments	846,718	833,373
Refunds of contributions	934,541	696,185
Administrative expenses	1,031,334	1,069,278
Total deductions	59,379,218	58,257,550
(Decrease) increase in fiduciary net position	**(41,557,080)**	**15,234,221**
Net position restricted for pensions:		
Beginning of year	895,140,717	879,906,496
End of year	**$ 853,583,637**	**895,140,717**

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) NATURE OF OPERATIONS

The Oklahoma Law Enforcement Retirement System (the "System") was established July 1, 1947, for the purpose of providing retirement allowances and other benefits for qualified law enforcement officers as defined by Oklahoma statutes. The System is the administrator of a single-employer, cost-sharing defined benefit pension plan that provides participants with retirement, death, and disability benefits, a Deferred Option Plan (the "Deferred Option"), and supplemental health benefits, all established by the State of Oklahoma. These plans are considered a single plan for financial reporting purposes. The System is part of the State of Oklahoma financial reporting entity and is included in the State of Oklahoma's financial reports as a pension trust fund. Currently, agencies and/or departments who are members of the System are the Oklahoma Highway Patrol and Capitol Patrol of the Department of Public Safety (DPS), the Oklahoma State Bureau of Investigation, the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, the Alcoholic Beverage Law Enforcement Commission, certain members of the DPS Communications Division, DPS Waterways Lake Patrol Division, park rangers, park managers, and park supervisors of the Oklahoma Tourism and Recreation Department, inspectors of the Oklahoma State Board of Pharmacy, and Oklahoma University and Oklahoma State University campus police officers.

The System, considered a single employer pension plan, is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension trust funds of the State of Oklahoma.

The Oklahoma Law Enforcement Retirement System Board of Trustees (the "Board") is responsible for the operation, administration, and management of the System. The Board also determines the general investment policy of the System's assets. The Board is composed of 13 members consisting of: the Commissioner of Public Safety or designee; the Director of the Office of Management and Enterprise Services or designee; three (3) members to be appointed by the Governor, one of whom shall be a retired member of the System; one (1) member to be appointed by the Speaker of the House of Representatives; one (1) member to be appointed by the President Pro Tempore of the Senate; two (2) members of the Highway Patrol Division and one (1) member of the Communications Section of the Oklahoma Highway Patrol; one (1) member from the Oklahoma State Bureau of Investigation; one (1) member of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control; and one (1) member of the Oklahoma Alcoholic Beverage Laws Enforcement Commission, elected by and from the membership of the System. The appointees and office holders or designees all serve a 4-year term, with the governor appointee's term being coterminous with that office.

(1) NATURE OF OPERATIONS, CONTINUED

The System's participants at June 30 consisted of the following:

	2016	2015
Retirees and beneficiaries currently receiving benefits	1,362	1,334
Terminated vested participants	24	26
Deferred Option participants	20	25
Active participants	1,300	1,310
Total members	2,706	2,695

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the Oklahoma Law Enforcement Retirement Plan (the "Plan").

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized in the period in which employees' salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The financial statements are in conformity with provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67).

The Plan is administered by the System, a part of the State of Oklahoma financial reporting entity, which together with other similar pension and retirement funds comprise the fiduciary pension trust funds of the State of Oklahoma. Administrative expenses are paid with the funds provided by operations of the Plan.

See Independent Auditors' Report.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements

In February 2015, GASB issued Statement No, 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Plan adopted this statement on July 1, 2015. Adoption of this statement resulted in revised disclosures related to the financial statements.

In June 2015, GASB issued Statement 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* (GASB 73). GASB 73 addresses accounting and financial reporting for pensions that do not meet the criteria for applying GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and amends certain disclosure requirements of GASB 67 and GASB 68. GASB 73 amendments include restricting additional disclosures related to 10-year schedules required by GASB 67 to be limited to factors over which the plan or government has influence, such as a change in investment policies. Amendments also address payables to a plan that are not separately financed specific liabilities, and the timing of employer recognition of revenue for the support of nonemployer contributing entities. The Plan adopted this statement on July 1, 2015. The adoption had no significant impact on the Plan's financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). GASB 74 seeks to improve the usefulness of information about postemployment benefits (OPEB) other than pensions. This statement provides guidance for reporting and disclosure of defined benefit and defined contribution OPEB plans. The Plan adopted this statement July 1, 2015. The Plan has no items to be reported, and the adoption had no significant impact on the Plan's financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 addresses employer and governmental non-employer contributing entities accounting and financial reporting when participating in an OPEB plan. This statement requires proper recognition of OPEB liabilities by employers and requires a more comprehensive measure of OPEB expense. More robust disclosures will also improve transparency and accountability. GASB 75 is effective for financial statements for the periods beginning after June 15, 2017. The Plan will adopt GASB 75 effective July 1, 2017, for the June 30, 2018, reporting year. The Plan does not expect GASB 75 to have a significant impact on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). GASB 76 identifies accounting sources used to prepare state and local government financial statements in conformity with GAAP, and established a GAAP hierarchy of these resources. This Statement improves financial reporting by raising the category of GAAP Implementation Guides in the GAAP hierarchy, by emphasizing the importance of analogies to authoritative literature when an accounting event is not specified in authoritative GAAP, and by requiring the consideration of consistency with GASB Concept Statements when evaluating accounting treatments in non-authoritative GAAP. The Plan adopted this statement on July 1, 2015. The adoption had no significant impact on the Plan's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. The Plan will adopt GASB 77 effective July 1, 2016, for the June 30, 2017, reporting year. The Plan does not expect GASB 77 to have a significant impact on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). GASB 78 addresses an issue that arose as a result of the employer reporting for pension plans under GASB 68. Certain state and local governments participate in a cost-sharing multi-employer pension plan that (1) is not a state or local government plan, (2) provides defined benefits to both state and local government employees, as well as to employers and employees that are not state and local governments, and (3) has no predominant state or local governmental employer. This Statement establishes the requirements for recognition, reporting, disclosures, and required supplementary information for governmental employers that provide pensions through pension plans with the above-mentioned characteristics. The Plan will adopt GASB 78 effective July 1, 2016, for the June 30, 2017, reporting year. The Plan does not expect GASB 78 to have a significant impact on the financial statements.

In December 2015, GASB issued Statement No. 79, *Certain Investment Pools and Pool Participants* (GASB 79). GASB 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Specific criteria address (1) the way the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The Plan adopted this statement on July 1, 2015. The adoption of this Statement had no significant impact on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. The Plan will adopt GASB 80 effective July 1, 2016, for the June 30, 2017, reporting year. The Plan does not expect GASB 80 to have a significant impact on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). GASB 81 provides recognition and measurement guidance for situations in which a government is one of the beneficiaries of an irrevocable split-interest agreement. Irrevocable split-interest agreements are a type of giving by a donor to provide resources to two or more beneficiaries, including governments. GASB 81 provides the recognition and reporting requirements applicable when a government is one of the parties to such an agreement. The Plan will adopt GASB 81 effective July, 1 2017, for the June 30, 2018, reporting year. The Plan does not expect GASB 81 to have a significant impact on the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

In March 2016, GASB issued Statement No. 82, *Pension Issues* (GASB 82). GASB 82 addresses issues that arose for pension plans and participating employers when implementing GASB 67 and GASB 68. Under GASB 82, "covered payroll" will be the metric used to prepare ratios and other measures in schedules included in required supplementary information. This change replaces "covered-employee payroll," the presentation required by GASB 67 and GASB 68, since this particular data element presented operational challenges to pension plans. GASB 82 also now clarifies that a deviation, as defined by the Actuarial Standards Board, when selecting the assumptions used to determine total pension and liability related measures, is not considered to be in conformity with GASB 67 and GASB 68. And lastly, in certain circumstances, employers may make a portion or the entire employee required contributions to a pension plan on behalf of the employee. Under GASB 82, these contributions are classified as plan member contributions for GASB 67. For purposes of GASB 68, including determining an employer's proportion, those amounts should also be considered employee contributions. The Plan adopted this statement July 1, 2015. The adoption had no significant impact on the Plan's financial statements.

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States requires management of the Plan to make significant estimates and assumptions that affect the reported amounts of net position restricted for pensions at the date of the financial statements and the actuarial information in Exhibits I, II, and III included in the required supplementary information as of the benefit information date, the changes in the Plan's net position during the reporting period, and when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Plan and the actuarial information in Exhibits I, II, and III included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near-term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Plan Contributions

Contributions to the Plan are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements.

Plan Benefit Payments and Refunds

Benefit payments and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

Receivables

At June 30, 2016 and 2015, the Plan had no long-term receivables. All the receivables reflected in the statement of fiduciary net position are expected to be received and available for use by the Plan in its operations. Also, no allowance for any uncollectible portions is considered necessary.

Investments

Management of the Plan is authorized to invest in eligible investments as approved by the Board as set forth in its investment policy. The Board reviews and updates the plan investment policy at least annually, making changes as deemed necessary to achieve policy goals. An investment policy change can be made any time the need should arise, at the discretion of the Board.

Investment Allocation Policy—The Board's investment asset allocation policy will currently maintain approximately 60% of assets in equity instruments, including public large and small cap equity, international developed equity, global long-short hedge, emerging markets, and private equity strategies; approximately 30% of assets in fixed income, to include core bonds, global, and multisector/core plus bonds; and 10% of assets in real assets, to include core real estate and commodities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Significant Investment Policy Changes—During the years ended June 30, 2016 and 2015, the Board made no significant investment policy changes.

Rate of Return—For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.52)% and 4.02%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Method Used to Value Investments—The Plan holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1—Unadjusted quoted prices in active markets for identical assets.

2. Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

3. Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3. Fair values of investments by level are presented in Note 4. The levels are presented as of June 30, 2016, as amounts at June 30, 2015, were not readily available.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Short-term investments include an investment fund composed of an investment in units of a commingled trust fund of the Plan's custodial agent (which is valued at amortized cost, which approximates fair value), commercial paper, treasury bills, and U.S. government agency securities. Active manager accounts holding debt and equity securities are reported at fair value, as determined by the Plan's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices in active markets, and at current exchange rates for securities traded on national or international exchanges. The fair value of the pro rata share of units owned by the Plan in equity index and commingled trust funds is determined by the respective fund trustee or manager based on quoted sales prices of the underlying securities. The fair value of hedge fund and private equity investments are priced by each respective manager using a combination of observable and unobservable inputs. The fair value of the real estate is determined from independent appraisals and discounted income approaches. Investments which do not have an established market are reported at estimated fair value based on primarily unobservable inputs.

Net investment income (loss) includes net appreciation/(depreciation) in the fair value of investments, interest income, dividend income, investment income from real estate, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs. Foreign currency translation gains and losses are reflected in the net appreciation (depreciation) in the fair value of investments. Investment income from real estate includes the Plan's share of income from operations, net appreciation in the fair value of the underlying real estate properties, and the Plan's real estate investment management fees. The fair values of the limited partnerships are determined by managers of the partnerships based on the values of the underlying assets.

The Plan's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The Plan may invest in various traditional financial instruments that fall under the broad definition of derivatives. The Plan's derivatives may include collateralized mortgage obligations, convertible stocks and bonds, and variable rate instruments. These investments do not increase investment risk beyond allowable limits specified in the Plan's investment policy.

The Plan's investment policy provides for investments in any combinations of stocks, bonds, fixed-income securities, and other investment securities, along with investments in commingled, mutual, and index funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate and market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term, and such changes could materially affect the amounts reported in the statements of fiduciary net position.

The investment policy limits the concentration of each portfolio manager. Except as noted below, no investment with a single firm exceeds 5% of the Plan's net fiduciary position.

The Plan invests in domestic equity index funds, domestic equity commingled trust funds, and international equity funds. The Plan shares the risk of loss in these funds with other participants in proportion to its respective investment. Because the Plan does not own any specific identifiable investment securities of these funds, the market risk associated with any derivative investments held in these funds is not apparent. The degree of market risk depends on the underlying portfolios of the funds, which were selected by the Plan in accordance with its investment policy guidelines, including risk assessment. The international funds invest primarily in equity securities of entities outside the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

The following tables present the individual investments exceeding the 5%* threshold at June 30:

Classification of Investment	Name of Investment	2016 Cost	2016 Fair Value
Domestic corporate bonds	MFB NT Collective Aggregate Bond Index Fund	$ 45,539,408	77,075,312
International common and preferred stock	Grosvenor Global Long/ Short Equity Fund	71,000,000	85,620,061
Real estate funds	JPMorgan Chase Bank Strategic Property Fund	42,090,090	56,124,461
International corporate bonds	Templeton Global Multisector Plus Fund	70,000,000	71,674,611
Domestic common and preferred stock	NTGI S&P 500 Equity Index Fund	39,923,152	59,757,645

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Classification of Investment	Name of Investment	2015 Cost	2015 Fair Value
Domestic corporate bonds	MFB NT Collective Aggregate Bond Index Fund	$ 45,539,408	72,672,249
International common and preferred stock	Grosvenor Global Long/ Short Equity Fund	71,000,000	92,957,936
Real estate funds	JPMorgan Chase Bank Strategic Property Fund	40,461,708	51,011,057
International corporate bonds	Templeton Global Multisector Plus Fund	70,000,000	73,424,195

*While the individual investment may exceed 5% of the Plan's net position, each investment is comprised of numerous individual securities. As such, no individual security exceeds the 5% threshold.

Repurchase/Reverse Repurchase Agreement

The Plan has a master repurchase/reverse repurchase agreement. Under the agreement, the Plan may enter into a purchase/sale of a security with a simultaneous agreement to resell/repurchase the security at a specified future date and price. The Plan did not enter into any transactions under this agreement during fiscal year 2016 or 2015.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Capital assets, which consist of furniture and computer equipment, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset, primarily 5–7 years.

Income Taxes

The Plan is exempt from federal and state income taxes.

Plan Termination

In the event the Plan terminates, the Oklahoma Statutes contain no provision for the order of distribution of the net position of the Plan. Plan termination would take an act of the Oklahoma State Legislature, at which time the order of distribution of the Plan's net position would be addressed.

Administrative Items

Operating Leases

The Plan has no capital or operating lease commitments that have terms greater than 1 year. The Plan had an operating lease which ended June 30, 2015. The lease has been renewed for the period July 1, 2015, through June 30, 2016. Total lease expense was approximately $38,000 for each of the fiscal years ended 2016 and 2015.

Compensated Absences

Employees of the System earn annual vacation leave at the rate of 10 hours per month for up to 5 years of service, 12 hours per month for service of 5 to 10 years, 13.3 hours per month for service of 10 to 20 years, and 16.7 hours per month for over 20 years of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Compensated Absences, Continued

At June 30, 2016 and 2015, the System owed $49,555 and $46,422, respectively, to its employees for accrued vacation. A summary of the changes in accrued vacation is as follows:

	2016	2015
Accrued vacation at beginning of year	$ 46,422	48,949
Additions	29,043	28,630
Reductions	(25,910)	(31,157)
Accrued vacation at end of year	$ 49,555	46,422

Retirement Expense

Employees of the System are eligible to participate in the Oklahoma Public Employees Retirement Plan, which is administered by the Oklahoma Public Employees Retirement System (OPERS). OPERS is a multiple-employer, cost-sharing public retirement defined benefit pension plan. OPERS provides retirement, disability, and death benefits to its plan members and beneficiaries. OPERS issues a publicly available financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 200, Oklahoma City, OK 73118.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Defined Benefit Plan

Employees of the System are required to contribute 3.5% of their annual covered salary. The System is required to contribute at an actuarially determined rate, which was 16.5% of annual covered payroll for each of the years ended June 30, 2016, 2015, and 2014, respectively. During the years ended June 30, 2016, 2015, and 2014, a total of $67,262, $67,007, and $64,005, respectively, was paid to OPERS. The System's and the employees' portions of those amounts were as follows:

	2016	2015	2014
System portion	$ 53,080	52,944	50,562
Employee portion	14,182	14,063	13,443
	$ 67,262	67,007	64,005

The Plan adopted GASB 68 as of July 1, 2014, as it applies to its participants in OPERS. The effects upon the financial statements of the Plan as a result of the adoption of GASB 68 are considered immaterial.

Defined Contribution Plan

Effective November 1, 2015, OPERS established the Pathfinder Defined Contribution Plan ("Pathfinder"), a mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after November 1, 2015, and have no prior participation in OPERS. Under Pathfinder, members will choose a contribution rate which will be matched by their employer up to 7%. During the year ended June 30, 2016, the System and employees had no contributions to Pathfinder.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Administrative Items, Continued

Risk Management

The Risk Management Division of the Department of Central Services (the "Division") is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State of Oklahoma or administration of any self-insurance plans and programs adopted for use by the State of Oklahoma for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State of Oklahoma and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State of Oklahoma, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State of Oklahoma incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State of Oklahoma presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each state agency, including the System, their pro rata share of the premiums purchased. The System has no obligations to any claims submitted against the System.

Date of Review of Subsequent Events

The Plan has evaluated subsequent events through October 18, 2016, the date which the financial statements were available to be issued and determined that no subsequent events have occurred that require adjustment or disclosure in the financial statements.

(3) DESCRIPTION OF THE PLAN

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Oklahoma Statutes for more complete information.

General

The Plan is a single-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a qualified law enforcement officer as defined by the Oklahoma Statutes or participated in a related agency.

Contributions

Contributions to the Plan are generated from established employer and employee contribution rates, and certain revenues are dedicated by the Oklahoma State Legislature and are not based on an actuarially calculated contribution amount. A suggested minimum required contribution from the State of Oklahoma is computed annually by an actuary hired by the State of Oklahoma. However, funding by the State of Oklahoma to the Plan is based on statutorily determined amounts rather than the actuarial calculations of the amount required to fund the Plan.

Presently, the Plan receives contributions from state agencies and members of 11% and 8%, respectively, of the actual paid base salary of each member. Prior to November 1, 2012, the state agencies' contribution rate was 10%. The Plan also receives 1.2% of all fees, taxes, and penalties collected by motor license agents after approximately the first 5%. Additional funds are also provided to the Plan by the State of Oklahoma through an allocation of 5% of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits

In general, the Plan provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. Retirement provisions are as follows:

- The normal retirement date when a member is eligible to receive retirement benefits is when the member completes 20 years of service or reaches age 62 with at least 10 years of service. Members become vested upon completing 10 years of credited service as a contributing member of the Plan. No vesting occurs prior to completing 10 years of credited service. Members' contributions are refundable, without interest, upon termination prior to normal retirement. Members who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the member is entitled to a monthly retirement benefit commencing on the member's normal retirement date as if the member's employment continued uninterrupted, based on the actual completed years and months of service.

- Monthly retirement benefits are calculated at 2.5% of the highest 30 consecutive months of actual paid base salary multiplied by the years and complete months of credited service. Only salaries on which required contributions have been made are used in computing the final average salary. House Bill 2212, which was effective as of July 1, 2002, redefined final average earnings to be the greater of (i) the highest consecutive 30 months of actual earnings and (ii) the top base pay paid to active members. In accordance with House Bill 1383, for participants, other than DPS and Oklahoma State Bureau of Investigation participants, hired on or after May 22, 2013, the top base pay paid to active members will no longer be used in determining the member's final retirement benefit. This applies to DPS and Oklahoma State Bureau of Investigation participants hired on or after November 1, 2012.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- Members who became disabled prior to July 1, 2000, prior to the member's normal retirement date and by direct reason of the performance of the member's duties as an officer, receive a monthly benefit equal to the greater of 50% of the average of the highest 30 consecutive complete months of actual paid base salary or 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years and complete months of the member's credited service. Effective July 1, 2000, Senate Bill 994 provides that the monthly benefit will be equal to 2.5% multiplied by the greater of 20 years of service or the actual number of years of service performed by the member if the member had performed 20 or more years of service, multiplied by final average salary. Senate Bill 994 provides that the final average salary for a member who performed less than 20 years of service prior to disability shall be computed assuming that the member was paid the highest salary allowable pursuant to the law in effect at the time of the member's disability based on 20 years of service and with an assumption that the member was eligible for any and all increases in pay based upon rank during the entire period. The final average salary for a member who had performed 20 or more years of service prior to disability shall be equal to the member's actual final average salary.

- Members who became disabled prior to the member's normal retirement date, but after completing 3 years of vesting service and not by reason of the performance of the member's duties as an officer or as a result of the member's willful negligence, receive a monthly benefit equal to 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years and complete months of the member's credited service.

- Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is also entitled to a pension benefit and, if applicable, each child is entitled to receive $400 per month until reaching age 18 or 22, providing the child is a full-time student. A $5,000 death benefit is also paid, in addition to any survivor's pension benefits from the Plan, to the participant's beneficiary or estate for those active or retired members who died after July 1, 1999.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- The Deferred Option allows members who have 20 or more years of service to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is set-up for each member. During the participation period, the member's retirement benefit is credited to the member's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Member contributions cease once participation in the Deferred Option begins. At the conclusion of participation in the Deferred Option, the member will receive the balance in the member's separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.

- In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a "Back" DROP for members of the Plan. The "Back" DROP is a modified deferred option retirement plan. The "Back" DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the Deferred Option. A member, however, cannot receive credit to the Deferred Option account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the "Back" DROP and can receive a Deferred Option benefit based upon up to 5 years of participation. The member's regular retirement benefit will not take into account any years of service credited to the "Back" DROP.

  A member may elect to participate in the "Back" DROP even if the member has elected to participate in the Deferred Option. The member may select a "Back" DROP date which is up to 5 years prior to the termination date. Participation in the "Back" DROP cannot exceed 5 years when combined with the member's prior period of participation in the Deferred Option plan.

(3) DESCRIPTION OF THE PLAN, CONTINUED

Benefits, Continued

- The Plan contributes $105 per month or the Medicare supplement premium, if less, toward the cost of health insurance for members receiving retirement benefits. These benefits commence upon retirement. As of June 30, 2016 and 2015, 596 and 600 members, respectively, had elected this benefit. House Bill 2311 allows spouses and children to elect health insurance and provides up to $105 per month to those who do elect the insurance. The monies for the health insurance coverage are remitted monthly to the Oklahoma State and Education Employees Group Insurance Board, which administers various group health benefit plans for the State of Oklahoma. The Plan is required by statute to remit the payment, but has no administrative functions related to the payment, and no portion of the contribution amounts of either active members or state agencies is specifically identified by statute as relating to such payment. Accordingly, the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are deemed not to apply.

  House Bill 2442, which took effect July 1, 2004, allows members who are retired from the System by means of a personal and traumatic injury of a catastrophic nature and in the line of duty and any surviving spouse of a member who was killed in the line of duty to have 100% of the retired member's or surviving spouse's healthcare premium cost paid by the Plan.

  The total amount remitted for health insurance premiums for the years ended June 30, 2016 and 2015, was $846,718 and $833,373, respectively.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

At June 30, cash and cash equivalents were composed of the following:

	2016	2015
Cash on deposit with the State of Oklahoma	$ (16,300)	265,562
Cash on deposit with local financial institution	263,168	106,868
Cash on deposit with custodial agent:		
Short-term investments	11,045,571	11,036,137
	$ 11,292,439	11,408,567

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Cash and Cash Equivalents, Continued

At June 30, 2016 and 2015, as a result of outstanding checks, the carrying amount of the Plan's cash deposits with the State of Oklahoma and a financial institution totaled $246,868 and $372,430, respectively, and the bank balances totaled $(2,402,040) and $729,276, respectively. The carrying amounts of the short-term investment and cash on deposit with Northern Trust were the same as the bank balances at June 30, 2016 and 2015.

The Plan's short-term investment fund consists of collective trust funds of Northern Trust which are allocated on the basis of $1.00 for each unit. This fund is composed of high-grade money market instruments with short maturities, generally less than 90 days, including banker's acceptances, certificates of deposit, commercial paper notes, Euro time deposits, floating rate instruments, and money market demand accounts. Each participant in the fund shares the risk of loss in the fund in proportion to their respective investment in the fund.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Plan, or are held by a counterparty or the counterparty's trust department but not in the name of the Plan. While the investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. The Plan had no bank balances that were uninsured or uncollateralized of as of June 30, 2016 or 2015. The policy also provides that investment collateral be held by a third-party custodian with whom the Plan has a current custodial agreement in the Plan's name.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment policy limits global long/short equities to 15%, international developed equities to 15%, and emerging markets to 10% of total assets through its asset allocation policy. Investments in equity securities and corporate bonds as of June 30 are shown below by monetary unit to indicate possible foreign currency risk.

Currency	2016	2015
Commingled funds:		
Equities:		
Grosvenor Global Long/Short Equity Master Fund	$ 85,620,061	92,957,936
Mondrian International Equity Fund	39,105,007	42,484,912
Barings Focused International Equity Fund	32,340,148	34,404,406
Vontobel Global Emerging Markets Fund	-	30,000,505
Wasatch Emerging Markets Small Capitalization Fund	10,326,693	11,559,570
NTGI Emerging Market Value Index Fund	27,768,570	-
	195,160,479	211,407,329
International corporate bonds:		
Templeton Global Multisector Plus Fund	71,674,611	73,424,195
	$ 266,835,090	284,831,524

The Plan was exposed to foreign currency risk through investments in the following commingled funds:

- Grosvenor Global Long/Short Equity Master Fund—The fund seeks to achieve superior returns that are attractive, on both an absolute and risk-adjusted basis, with substantially less volatility than the broad global equity market indices. In addition, the fund operates with the intent of preserving capital in declining market conditions. The fund pursues this strategy by investing, both long and short, predominately in equity securities in developed and emerging markets.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- Mondrian International Equity Fund—The fund's investment objective is long-term total return through a value-driven approach of equity selection. The fund pursues this strategy by investing primarily in non-U.S. and emerging market equity securities.

- Barings Focused International Equity Fund—The fund seeks long-term capital growth by investing in a concentrated portfolio of equity securities from developed international markets combined with a limited number of equities from emerging markets.

- Vontobel Global Emerging Markets Fund—The fund seeks capital appreciation by investing, under normal market conditions, at least 75% of its assets in the equity securities of companies located in developing or emerging markets.

- NTGI Emerging Market Index Fund—The fund's investment objective is to approximate the risk and return characteristics of the MSCI Emerging Markets Index. This index is commonly used to represent the large and medium cap segment of the equity emerging markets. To achieve its objective the fund employs a replication technique which generally seeks to hold each index constituent in its proportional index weight.

- Wasatch Emerging Markets Small Capitalization Fund—The fund seeks long-term capital growth by investing primarily in equity securities of small companies located in emerging markets. Companies will generally have a market capitalization of less than $3 billion when purchased, and holdings will generally span broadly across countries and sectors.

- Templeton Global Multisector Plus Fund—The fund's strategy is a high alpha-seeking, multisector global fixed-income strategy, and the fund may invest across the entire global fixed-income opportunity set, including government, securitized, and corporate sectors. The fund seeks to maintain a portfolio risk profile in proportion with the volatility of the benchmark, which allows for 8%–10% standard deviation under normal market conditions. As such, below-investment grade exposure is limited to no more than 50% of portfolio net assets.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk

Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The investment portfolio requires the portfolio to maintain an average of AA or higher. Exposure to credit risk as of June 30 was as follows:

	2016		
Investment Type	S&P (Unless Noted)	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
U.S. government agency securities	Not Rated[1]	$ 31,550,478	50.85%
U.S. Treasury securities	Not Rated[1]	29,791,101	48.01%
	AA	584,663	0.94%
	AA-	123,500	0.20%
Total U.S. government securities		**$ 62,049,742**	**100.00%**

(Continued)

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2016		
Investment Type	S&P (Unless Noted)	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
Domestic corporate bonds	AAA	$ 2,926,345	2.42%
	AA+	3,105,768	2.57%
	AA	1,291,991	1.07%
	AA-	744,356	0.61%
	A+	1,283,818	1.06%
	A	2,401,971	1.98%
	A-	3,078,003	2.54%
	BBB+	4,814,593	3.98%
	BBB	2,604,136	2.15%
	BBB-	2,047,631	1.69%
	BB+	455,228	0.38%
	B	266,251	0.22%
	CCC	2,859,821	2.36%
	D	2,197,862	1.82%
	Aaa (Moody's)	4,486,286	3.71%
	A_3 (Moody's)	41,344	0.03%
	Ca (Moody's)	756,310	0.62%
	Caa2 (Moody's)	674,092	0.56%
	Not Rated[2]	84,995,931	70.23%
Total domestic corporate bonds		**$ 121,031,737**	**100.00%**
International corporate bonds [3]	Not Rated[3]	**$ 71,674,611**	**100.00%**

[1] While the funds are not rated, the securities are backed by the full faith and credit of the U.S. government.

[2] While the funds are commingled and not rated, the majority of the assets are held in an index fund which at June 30, 2016, maintained ratings of: AAA—4%; AA—71%; A—12%; BBB—13%.

[3] The fund is commingled and not rated. At June 30, 2016, the fund maintained ratings of: B- or higher—86%; CCC+ or lower—14%.

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

	2015		
Investment Type	S&P (Unless Noted)	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
			0.00%
U.S. government agency securities	Not Rated[1]	$ 33,901,404	57.25%
U.S. Treasury securities	Not Rated[1]	23,727,964	40.06%
Other U.S. government securities	AA+	915,914	1.55%
	AA	558,025	0.94%
	AA-	120,717	0.20%
Total U.S. government securities		**$ 59,224,024**	**100.00%**

(Continued)

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Credit Risk, Continued

Investment Type	S&P (Unless Noted)	Fair Value (2015)	Fair Value as a Percentage of Total Fixed Maturity Fair Value (2015)
Domestic corporate bonds	AAA	$ 4,024,173	3.51%
	AA+	3,592,814	3.13%
	AA	1,043,501	0.91%
	AA-	93,772	0.08%
	A+	1,426,037	1.24%
	A	1,621,603	1.41%
	A-	4,055,433	3.54%
	BBB+	1,340,431	1.17%
	BBB	1,089,161	0.95%
	BBB-	1,315,600	1.15%
	BB+	462,977	0.40%
	B	264,873	0.23%
	CCC	2,977,665	2.60%
	D	3,297,186	2.88%
	Aaa (Moody's)	5,115,517	4.46%
	Ca (Moody's)	782,217	0.68%
	Caa2 (Moody's)	824,497	0.72%
	Not Rated[2]	81,334,120	70.94%
Total domestic corporate bonds		**$ 114,661,577**	**100.00%**
International corporate bonds [3]	Not Rated[3]	**$ 73,424,195**	**100.00%**

[1] While the funds are not rated, the securities are backed by the full faith and credit of the U.S. government.

[2] While the funds are commingled and not rated, the majority of the assets are held in an index fund which at June 30, 2015, maintained ratings of: AAA—4%; AA—72%; A—12%; BBB—12%.

[3] The fund is commingled and not rated. At June 30, 2015, the fund maintained ratings of: B- or higher—96%; CCC+ or lower—4%.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the investment policy does not specifically address the duration of fixed-income securities, the Plan does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, the Plan had the following investments with maturities:

	2016					
	Investment Maturities at Fair Value (in Years)					
Investment Type	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
U.S. government securities:						
Mortgage-backed securities	$ -	2,869,810	873,654	21,621,554	4,782,000	30,147,018
Short-term bills and notes	3,657,075	-	-	-	-	3,657,075
U.S. government bonds	-	18,467,220	1,948,537	3,834,817	-	24,250,574
Index linked government bonds	-	-	1,631,108	1,655,805	-	3,286,913
Municipal/Provincial bonds	-	-	420,225	287,937	-	708,162
Total U.S. government securities	3,657,075	21,337,030	4,873,524	27,400,113	4,782,000	62,049,742
Domestic corporate bonds:						
Asset-backed securities	-	590,338	1,704,232	9,071,059	-	11,365,629
Commercial mortgage-backed securities	-	-	-	3,243,453	-	3,243,453
Corporate bonds	1,130,108	6,426,565	3,884,183	6,972,727	3,329,246	21,742,829
Nongovernment-backed CMOs	-	97,527	-	5,048,797	-	5,146,324
U.S. fixed-income funds	-	-	-	-	79,533,502	79,533,502
Total domestic corporate bonds	1,130,108	7,114,430	5,588,415	24,336,036	82,862,748	121,031,737
International corporate bonds:						
International fixed-income funds	-	-	-	-	71,674,611	71,674,611
Total international corporate bonds	-	-	-	-	71,674,611	71,674,611
	$ 4,787,183	28,451,460	10,461,939	51,736,149	159,319,359	254,756,090

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

2015

Investment Maturities at Fair Value (in Years)

Investment Type	Less Than 1	1 or More, Less Than 5	5 or More, Less Than 10	10 or More	Investments with No Duration	Total Fair Value
U.S. government securities:						
Mortgage-backed securities	$ -	701,612	5,338,124	22,946,785	-	28,986,521
Short-term bills and notes	4,914,883	-	-	-	-	4,914,883
U.S. government bonds	-	10,784,566	4,104,237	3,742,013	-	18,630,816
Index linked government bonds	1,362,208	-	1,702,848	2,032,092	-	5,097,148
U.S. government agencies	-	915,914	-	-	-	915,914
Municipal/Provincial bonds	-	-	401,942	276,800	-	678,742
Total U.S. government securities	6,277,091	12,402,092	11,547,151	28,997,690	-	59,224,024
Domestic corporate bonds:						
Asset-backed securities	-	-	1,561,173	11,267,083	-	12,828,256
Commercial mortgage-backed securities	-	-	-	3,632,409	-	3,632,409
Corporate bonds	1,009,745	4,470,198	3,110,662	3,675,985	3,549,914	15,816,504
Nongovernment-backed CMOs	-	157,861	-	6,558,240	-	6,716,101
U.S. fixed-income funds	399,987	-	-	-	75,268,320	75,668,307
Total domestic corporate bonds	1,409,732	4,628,059	4,671,835	25,133,717	78,818,234	114,661,577
International corporate bonds:						
International fixed-income funds	-	-	-	-	73,424,195	73,424,195
Total international corporate bonds	-	-	-	-	73,424,195	73,424,195
	$ 7,686,823	17,030,151	16,218,986	54,131,407	152,242,429	247,309,796

See Independent Auditors’ Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value

June 30, 2016 **Investments by Fair Value Level**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Amounts in Thousands		
Debt securities:				
U.S. government agency	$ 31,550,479	-	31,550,479	-
U.S. Treasury	29,791,101	-	29,791,101	-
Municipals	708,162	-	708,162	-
Domestic corporate bonds:				
Commercial mortgage-backed securities	3,243,453	-	3,243,453	-
Corporate bonds	22,925,005	-	18,413,582	4,511,423
Asset backed securities	11,365,630	-	11,365,630	-
Non-government backed CMOs	5,146,324	-	5,146,324	-
TCW International Fixed Income	1,276,013	-	-	1,276,013
NTGI Collective Aggregate Bond Fund	77,075,312	-	77,075,312	-
International corporate bonds:				
Franklin Templeton	71,674,611	-	-	71,674,611
Total debt securities	254,756,090	-	177,294,043	77,462,047
Equity securities—domestic				
Domestic Large Cap:				
Hotchkis	61,267,995	61,267,995	-	-
Waddell	61,123,905	61,123,905	-	-
Domestic Small Cap:				
Kennedy	53,803,585	53,803,585	-	-
Columbus	46,129,366	-	46,129,366	-
Domestic Large Cap-S&P Index	59,757,645	-	59,757,645	-
Total domestic equities	282,082,496	176,195,485	105,887,011	-

(Continued)

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

June 30, 2016 **Investments by Fair Value Level, Continued**	Amounts Measured at Fair Value	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Amounts in Thousands		
Equity securities—international				
Intl. Equities—Barings Focused Intl Equity Fund (developed mkts)	32,340,148	-	32,340,148	-
Intl. Equities—Value Focus—Mondrian Partners	39,105,006	-	39,105,006	-
Intl. Emerging Markets—Wasatch EM Small Cap Fund	10,326,694	-	10,326,694	-
Intl. Emerging Markets—NTGI Emerging Markets	27,768,570	-	27,768,570	-
Total international equities	109,540,418	-	109,540,418	-
Private equity:				
Non-real estate focused	22,252,931	-	-	22,252,931
Real estate focused	-	-	-	-
Total private equity	22,252,931	-	-	22,252,931
Real estate—direct ownership—income producing:				
Total direct ownership real estate	3,800,000	-	-	3,800,000
Investments measured at net asset value (NAV):				
Long/Short Equity—Master Fund—Grosvenor	85,620,061	-	-	-
Core Real Estate—JP Morgan Strategic Property Fund	56,124,461	-	-	-
Core Real Estate - Trumball Property Fund	13,788,478	-	-	-
Commodities—Gresham Partners—TAP Fund	17,906,633	-	-	-
Total investments measured at NAV	173,439,633	-	-	-
Total investments measured at fair value	$ 845,871,568	176,195,485	392,721,472	103,514,978

See Independent Auditors' Report.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Values of Debt Securities—The Plan holds several large diversified debt security funds. The international funds are classified as Level 3, while the domestic fund is classified as Level 2.

Fair Value of Equity Securities—The Plan holds equity securities through a number of managers, both actively and passively managed. Domestic equity securities are classified in Levels 1 and Levels 2 of the fair value hierarchy, as the values are calculated daily since all securities are priced at quoted market prices in active markets for identical securities or calculated daily through the aggregation of Level 1 quoted prices for identical or similar securities.

International Equity Securities are priced as follows:

Barings Focused International Equity—The Plan participates in a comingled equity fund that focuses on a smaller number of equity securities located primarily in international developed markets. This investment is a commingled fund on international equity securities that are typically priced based on quoted market prices in active markets around the globe. This fund is classified in Level 2 of the fair value hierarchy, as the price of the fund is derived from securities that are all priced at quoted market prices in active markets. This fund prices and provides liquidity to its investors on a monthly basis.

Mondrian Partners International Equity Fund L.P.—The Plan participates in a fund managed by Mondrian Partners that invests primarily in non-U.S. equity securities, with a focus on the value style of investing. This fund is classified in Level 2 in the fair value hierarchy since the price of the fund is derived from securities that are all priced at quoted market prices in active markets. The fund prices and provides liquidity to its investors on a monthly basis.

Wasatch Emerging Markets Small Capitalization Fund—The Plan invests in a Wasatch fund that is focused on small-capitalization equity securities that are located in non-U.S. emerging markets. The Wasatch fund is a commingled investment trust that is managed for institutional investors. The fund is classified in Level 2 of the fair value hierarchy, as the holdings of the fund are all priced at quoted markets prices in active markets, allowing the fund sponsor to develop daily net asset value pricing and liquidity.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Equity Securities, Continued

Northern Trust Emerging Markets Index Fund—In order to maintain investment policy exposure to international markets, the Plan used the proceeds from exiting the Vontobel Fund I March 2016 to invest in a passive vehicle that accesses international markets. This fund invests in equity securities located primarily outside the United States. This fund is classified in Level 2 of the fair value hierarchy since the price of the fund is derived from the holdings in the fund which are all actively quoted in active markets. The fund prices its asset value daily and provides very short-term liquidity.

Fair Value of Private Equity—The Plan participates in a number of private equity partnerships as a limited partner. Private equity investments are structured to be operated by a general partner, usually highly experienced in the specific focus of the fund, who calls for investments from the limited partners when a suitable investment opportunity arises. As such, investments in private equity can generally never be redeemed, but instead participate in distributions from the fund as liquidation of the underlying assets are realized.

Several of the limited partnerships invest in equity securities outside of the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency. In addition, some of the partnerships may engage in hedging transactions involving derivative instruments as a part of their investment strategy.

The Plan's private equity (PE) investments have a long investment horizon of 5 to 10 years, are not liquid, and the Plan generally holds this type of investment to maturity. Depending on the type of holdings within a given partnership, the investment horizon can be extended if the general partner deems the remaining investments in the fund still hold significant future value and a majority of limited partners concur. The Plan's PE general partners typically make fair value determinations on the investments in each of their respective funds quarterly using a variety of pricing techniques including, but not limited to, observable transaction values for similar investments, third-party bids, appraisals of both properties and businesses, and public market capitalization of similar or like businesses. Each PE fund then calculates the fair value of the Plan's ownership of the partners' capital on a quarterly basis. The Plan classifies all private equity investments in Level 3 of the fair value hierarchy, as most investments of this type require unobservable inputs and other ancillary market metrics to determine fair value. Although most PE interests are marketable in a secondary market, the Plan generally does not sell its interests early at values less than its interest in the partnership. At June 30, 2016, the Plan was invested in 6 different PE investments and had remaining commitments of $17,926,660.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

Fair Value of Investments Measured at Net Asset Value (NAV)

Long/Short Equity Hedge Fund—Grosvenor—The Plan has an investment with Grosvenor Capital Management. The investments are structured as fund of funds and utilize a number of sub-managers that invest in long and short positions of U.S. and international equity securities. The fund is valued at NAV monthly, and are redeemable at the end of each calendar quarter with prior written notice.

Core Real Estate—JP Morgan Strategic Property and Trumball Property Fund—The Plan invests in two core real property funds: the JP Morgan Strategic Property fund and the Trumball Property Fund. Both of these funds invest in core real properties seeking to realize capital appreciation on its portfolio while also generating a high level of current income. These funds both make strategic property acquisitions primarily in the U.S. As part of JPMorgan's and Trumball Property Fund's valuation process, independent appraisers value properties on an annual basis (at a minimum). Both funds are valued at NAV monthly

Commodities—Gresham Partners (TAP Fund)—The Gresham TAP (Tangible Asset Program) fund is a commingled investment fund that invests in long-only, fully collateralized tangible commodity futures. It seeks to provide diversification to a portfolio of traditional investments through low correlation to stocks and bonds, and trades across most commodities markets. The fund is priced at NAV on a monthly basis. The Gresham TAP fund offers monthly liquidity with at least 5 days' written notice.

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Securities Lending

The Plan's investment policy allows loans of securities through a lending agent to various institutions on a short-term basis (generally less than 30 days). The amount of loans that can be made is presently limited to a maximum of approximately $74.3 million. The collateral held and the fair values of the securities on loan for the Plan at June 30 are as follows:

	2016		
	Collateral Held	Fair Value of Securities on Loan	% of Collateral Held to Securities on Loan
U.S. issuers:			
U.S. equities	$ 69,059,697	68,046,417	101%
U.S. corporate fixed	1,647,099	1,619,993	102%
U.S. government fixed	2,348,213	2,310,320	102%
	$ 73,055,009	71,976,730	

	2015		
	Collateral Held	Fair Value of Securities on Loan	% of Collateral Held to Securities on Loan
U.S. issuers:			
U.S. equities	$ 63,037,821	61,718,241	102%
U.S. corporate fixed	177,594	174,135	102%
U.S. government fixed	13,034,414	12,782,997	102%
	$ 76,249,829	74,675,373	

(4) CASH, CASH EQUIVALENTS, AND INVESTMENTS, CONTINUED

Securities Lending, Continued

As the Plan does not have the ability to pledge or sell noncash collateral without a borrower default, the noncash collateral the Plan had received at June 30, 2016 and 2015, was not included in the accompanying statements of fiduciary net position. According to the securities lending agreement, the borrower is required to deliver additional collateral when necessary so that the total collateral held by the agent for all loans to the borrower will at least equal the fair value plus accrued interest of all the borrowed securities loaned to the borrower. At the maturity of the loans, the Plan receives a loan premium and the securities are returned.

The Plan has no credit risk exposure to borrowers because the amount the Plan owes the borrowers exceeds the amount the borrowers owe the Plan. As of June 30, 2016 and 2015, the Plan had no losses on securities lending transactions resulting from default of a borrower or lending agent. Contracts with lending agents require them to indemnify the Plan if the borrowers fail to return the securities or otherwise fail to pay the Plan for income while the securities are on loan. The securities on loan are included in the respective investment categories in the accompanying statements of plan fiduciary net position. Cash collateral is invested in the lending agent's short-term investment pool and included as an asset in the accompanying statements of plan fiduciary net position, with an offsetting liability for the return of the collateral. The securities lending agreement states those investments of cash collateral must be structured to closely match the maturities of the underlying loans. The agreement also sets forth that a minimum of 20% of the cash collateral fund should be available each business day. The cash collateral investments had an average weighted maturity of 38 days and 26 days at June 30, 2016 and 2015, respectively.

Foreign Currency Transactions

The Plan has certain investment managers that trade on foreign exchanges. Foreign currency gains and losses are calculated at the transaction date using the current exchange rate, and assets are remeasured to U.S. dollars using the exchange rate as of each month-end. During the years ended June 30, 2016 and 2015, there were no foreign currency gains and no remeasurement losses.

(5) DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indices. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Plan's investment policy states that derivatives may be used to reduce or eliminate undesirable portfolio risks caused by currency exposure, duration, and yield curve position. Investments in limited partnerships (alternative investments) and commingled funds may include derivatives. The Plan's investments in alternative investments are reflected at fair value, and any exposure is limited to its investment in the partnership and any unfunded commitment. Commingled funds have been reviewed to ensure they are in compliance with the Plan's investment policy. The Plan did not hold any direct derivative investments as of June 30, 2016 or 2015.

The Plan may invest in mortgage-backed securities, which are reported at fair value in the statements of fiduciary net position and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the values of these securities. The Plan may invest in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures.

(6) INVESTMENT IN BUILDING

The Plan owns a building (Colcord Center), originally purchased as an investment property for approximately $3.4 million, and it is held as a long-term investment. The building is accounted for at fair value based on periodic appraisals and rental income and expenses reported currently. The Plan utilizes part of the building for its administrative office and pays itself rent, which is reflected as administrative expense and other investment income. The fair value of the building at both June 30, 2016 and 2015, was estimated at approximately $3.8 million.

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS

The Plan also invests in alternative investments, such as limited partnerships. A summary of the alternative investments is as follows:

		Fair Value as of June 30,	
Investment	Purpose	2016	2015
American Private Equity Partners, L.P.	Invests in private equity securities.	$ 1,535,047	1,364,884
American Private Equity Partners II, L.P.	Invests in private equity securities.	2,648,365	4,320,991
Knightsbridge Venture Capital VI	Invests in private equity securities.	4,461,711	5,732,238
Knightsbridge Venture Capital VII	Invests in private equity securities.	8,721,458	10,029,272
Apollo Investment Fund VIII, L.P.	Invests in private equity securities.	4,358,526	2,047,831
Warburg Pincus Private Equity XII	Invests in private equity securities.	527,824	-
		$ 22,252,931	23,495,216

See Independent Auditors' Report.

(7) INVESTMENT IN ALTERNATIVE INVESTMENTS, CONTINUED

The Plan had the following total and remaining capital commitments for its alternative investments as of June 30, 2016:

	Committed Capital	Remaining Capital Commitment
American Private Equity Partners, L.P.	$ 8,000,000	470,076
American Private Equity Partners II, L.P.	10,000,000	290,899
Knightsbridge Venture Capital VI	10,000,000	493,342
Knightsbridge Venture Capital VII	7,500,000	1,495,586
Apollo Investment Fund VIII, L.P.	10,000,000	5,879,757
Warburg Pincus Private Equity XII	10,000,000	9,300,000
	$ 55,500,000	17,929,660

Several of the limited partnerships invest in equity securities outside of the United States and may enter into forward contracts to purchase or sell securities at specified dates in the future at a guaranteed price in a foreign currency to protect against fluctuations in exchange rates of foreign currency. In addition, some of the partnerships may engage in hedging transactions involving derivative instruments as a part of their investment strategy.

See Independent Auditors' Report.

(8) INVESTMENT IN REAL ESTATE FUNDS

The Plan's investments in real estate funds consist of two commingled pension trust funds. The real estate investment funds at June 30 are summarized in the following table:

Investment	Purpose	Fair Value 2016	Fair Value 2015
JPMorgan Chase Bank Strategic Property Fund	The fund owns and seeks improved real estate projects with stabilized occupancies in an effort to produce a relatively high level of current income combined with moderate appreciation potential.	$ 56,124,461	51,011,057
UBS Trumbull Property Fund	The fund is an actively managed core portfolio of equity real estate. Its primary focus is to invest in well-leased, income-producing properties within major U.S. markets. Investments are structured as wholly owned properties, joint ventures, or on occasion, as participating mortgages.	13,788,478	12,605,522
		$ 69,912,939	63,616,579

Each fund accounts for its investments at fair value. Fair values of real estate investments are determined by JPMorgan and UBS, respectively, at each evaluation date. As part of JPMorgan's valuation process, independent appraisers value properties on an annual basis (at a minimum). UBS utilizes independent appraisers to value the UBS Trumbull Property Fund's real estate investments, generally every quarter, starting the first full quarter after the investment is made.

As of June 30, 2016 and 2015, the Plan had no remaining commitments to fund in the real estate funds.

(9) CAPITAL ASSETS

The Plan records capital assets at cost when acquired. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Furniture and equipment	10–15 years
Computer equipment	3–5 years

A summary as of June 30 is as follows:

	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Cost	$ 194,746	-	-	194,746
Accumulated depreciation	(188,826)	(1,184)	-	(190,010)
Capital assets, net	$ 5,920	(1,184)	-	4,736

	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Cost	$ 188,826	5,920	-	194,746
Accumulated depreciation	(188,826)	-	-	(188,826)
Capital assets, net	$ -	5,920	-	5,920

(10) DEFERRED OPTION BENEFITS

As noted previously, the Plan has Deferred Option and "Back" DROP benefits available to its members. A summary of the changes in the various options as of June 30 is as follows:

	2016		
	Deferred Option	"Back" DROP	Total
Beginning balance	$ 2,977,895	2,609,506	5,587,401
Employer contributions	66,944	5,431,218	5,498,162
Deferred benefits	768,210	566,522	1,334,732
Payments	(931,824)	(8,374,759)	(9,306,583)
Interest	187,250	236,860	424,110
Transfers between "Back" DROP and Deferred Option	(67,196)	67,196	-
Ending balance	$ 3,001,279	536,543	3,537,822

	2015		
	Deferred Option	"Back" DROP	Total
Beginning balance	$ 5,928,940	1,874,906	7,803,846
Employer contributions	81,170	62,724	143,894
Deferred benefits	912,516	5,165,360	6,077,876
Payments	(3,367,816)	(5,631,027)	(8,998,843)
Interest	259,780	300,848	560,628
Transfers between "Back" DROP and Deferred Option	(836,695)	836,695	-
Ending balance	$ 2,977,895	2,609,506	5,587,401

The "Back" DROP is considered due and currently payable and is reflected as a liability in the statements of fiduciary net position.

See Independent Auditors' Report.

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYER AGENCIES

The components of the net pension liability of the participating employer agencies at June 30, 2016, were as follows:

	(Amounts in Thousands)
Total pension liability	$ 1,042,544
Plan fiduciary net position	853,584
Employer agencies' net pension liability	$ 188,960
Plan fiduciary net position as a percentage of the total pension liability	81.88%

Actuarial Assumptions—The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.75% to 7.80%, including inflation
Investment rate of return:	7.5% compounded annually, net of investment expense, and including inflation
Mortality:	Pre-retirement mortality rates were based on the RP-2000 Blue Collar Healthy Employees with Generational Projection. Post-retirement mortality rates were based on the same table as pre-retirement mortality. Disabled pensioners' mortality rates were based on the RP-2000 Blue Collar Table.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

See Independent Auditors' Report.

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYER AGENCIES, CONTINUED

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, (see discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income:	
Core bonds	2.80%
Multisector	3.78%
Global bonds	2.69%
Equities:	
U.S. large cap equity	7.55%
U.S. small cap equity	8.76%
International developed equity	8.51%
Emerging market equity	9.78%
Long/Short equity	7.46%
Private equity	10.49%
Real assets:	
Core real estate	5.77%
Commodities	3.96%

Discount Rate—The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employer agencies will be made at contractually required rates, determined by the State Statutes. Projected cash flows also assume the State will continue contributing 5% of the insurance premium, as established by statute and the System will continue to receive its share of fees, taxes, and penalties from motor license agents. Based on these assumptions, the pension plan's fiduciary net position was projected 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.

See Independent Auditors' Report.

(11) NET PENSION LIABILITY OF PARTICIPATING EMPLOYER AGENCIES, CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the employer agencies calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
		(Amounts in Thousands)	
Employer agencies' net pension liability (asset)	$ 326,013	188,960	76,598

(12) PLAN TERMINATION

In the event the Plan terminates, the Board will distribute the net position of the Plan to provide the following benefits in the order indicated:

a) Accumulated member contributions, defined for purposes of the plan termination section as member contributions and contributions from state agencies for the benefit of a member, will be allocated to each respective member, former member, retired member, joint annuitant, or beneficiary then receiving payments.

b) The balance of such assets, if any, will be allocated to persons in the following groups. The amount allocated to the respective members would be the excess of their retirement income under the Plan less the actuarial equivalent of the amount allocated to them under a) above. The allocation would occur in the following order:

- Those retired members, joint annuitants, or beneficiaries receiving payments,
- Those members eligible to retire,
- Those members eligible for early retirement,
- Former members electing to receive a vested benefit, and
- All other members.

See Independent Auditors' Report.

(13) FEDERAL INCOME TAX STATUS

As an instrumentality of the State of Oklahoma, the Plan is tax-exempt. It is not subject to the Employee Retirement Income Security Act of 1974, as amended. The Plan has received a favorable determination letter from the Internal Revenue Service regarding its tax-exempt status. The Plan has been amended since receiving the determination letter. However, the Plan's management believes that the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenue Code.

(14) HISTORICAL INFORMATION

Historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in Exhibits I, II, III, and IV.

(15) LEGISLATIVE CHANGES

The following is a summary of significant plan provision changes that were enacted by the Oklahoma State Legislature during 2016 and 2015:

2016

- Senate Bill 1040—The bill modifies language in the Plan in order for the Plan to remain compliant with IRS guidelines and regulations.

2015

- House Bill 1053—The bill modifies language in the Plan in order for the Plan to remain compliant with IRS guidelines and regulations.

(16) CONTINGENCIES

The Plan is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the net position or the changes in net position of the Plan.

SUPPLEMENTARY INFORMATION REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 67

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
Administered by
OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN EMPLOYER AGENCIES' NET PENSION LIABILITY

Last 3 Fiscal Years *(Dollar Amounts in Thousands)*

	2016	2015	2014
Total pension liability			
Service cost	$ 23,126	22,087	20,294
Interest	72,766	66,613	64,959
Changes of benefit terms	-	-	-
Differences between expected and actual experience	6,137	51,090	(9,771)
Changes in assumptions	-	-	-
Benefit payments, including health insurance premiums and refunds of member contributions	(58,348)	(57,187)	(49,777)
Net change in total pension liability	43,681	82,603	25,705
Total pension liability—beginning	998,863	916,260	890,555
Total pension liability—ending (a)	$ 1,042,544	998,863	916,260

Information to present a 10-year history is not readily available.

(Continued)

See Independent Auditors' Report.
See notes to required supplementary information.

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
Administered by
OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN EMPLOYER AGENCIES' NET PENSION LIABILITY, CONTINUED

Last 3 Fiscal Years *(Dollar Amounts in Thousands)*

	2016	2015	2014
Plan fiduciary net position			
Contributions—state agencies	$ 10,219	9,438	8,566
Contributions—members	6,866	6,390	5,787
Contributions—State of Oklahoma insurance premium tax and other state sources	22,981	22,861	21,165
Net investment (loss) income	(22,244)	34,802	121,403
Benefit payments, including health insurance premiums and refunds of member contributions	(58,348)	(57,187)	(49,777)
Administrative expense	(1,031)	(1,069)	(927)
Net change in plan fiduciary net position	(41,557)	15,235	106,217
Plan fiduciary net position—beginning	895,141	879,906	773,689
Plan fiduciary net position—ending (b)	$ 853,584	895,141	879,906
Plan's net pension liability (a) - (b)	$ 188,960	103,722	36,354

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.
See notes to required supplementary information.

Exhibit II

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
Administered by
OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER AGENCIES' NET PENSION LIABILITY

Last 3 Fiscal Years ***(Dollar Amounts in Thousands)***

	2016	2015	2014
Total pension liability	$ 1,042,544	998,863	916,260
Plan fiduciary net position	853,584	895,141	879,906
Plan's net pension liability	$ 188,960	103,722	36,354
Plan fiduciary net position as a percentage of the total pension liability	81.88%	89.62%	96.03%
Covered payroll	$ 88,683	84,880	76,838
Plan's net pension liability as a percentage of covered payroll	213.07%	122.20%	47.31%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.
See notes to required supplementary information.

Exhibit III

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
Administered by
OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AGENCIES AND OTHER CONTRIBUTING ENTITIES

Last 10 Fiscal Years ***(Dollar Amounts in Thousands)***

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 33,291	31,838	43,775	44,734	48,634	50,094	48,103	36,616	32,668	32,503
Contributions in relation to the actuarially determined contribution:										
State agencies	10,219	9,438	8,566	8,296	7,414	7,694	7,779	7,686	7,501	6,553
Contributions—State of Oklahoma insurance premium tax and other state sources	22,981	22,861	21,165	19,807	18,836	16,965	15,456	17,311	17,670	18,162
	33,200	32,299	29,731	28,103	26,250	24,659	23,235	24,997	25,171	24,715
Contribution deficiency (excess)	$ 91	(461)	14,044	16,631	22,384	25,435	24,868	11,619	7,497	7,788
Covered payroll	$ 88,683	84,880	76,838	73,423	71,598	70,967	73,400	75,320	73,508	63,764
Contributions as a percentage of covered payroll	37.44%	38.05%	38.69%	38.28%	36.66%	34.75%	31.66%	33.19%	34.24%	38.76%

See Independent Auditors' Report.
See notes to required supplementary information.

Exhibit IV

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS

Last 3 Fiscal Years

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	(2.52)%	4.02%	15.90%

Information to present a 10-year history is not readily available.

See Independent Auditors' Report.
See notes to required supplementary information.

OKLAHOMA LAW ENFORCEMENT RETIREMENT PLAN
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OKLAHOMA LAW ENFORCEMENT RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

The information presented in the required supplementary schedules was determined as part of an actuarial valuation by independent enrolled actuaries (Cavanaugh Macdonald Consulting, LLC as of July 1, 2016 and 2015, and Buck Consultants at the previous dates indicated). Additional information as of the July 1, 2016, valuation follows:

Assumptions

Actuarial cost method:	Entry Age
Asset valuation method:	5-year moving average
Amortization method:	Level dollar—closed
Remaining amortization:	14 years
Actuarial assumptions	
Investment rate of return:	7.5%
Projected salary increases*:	3.75% to 7.80%, depending on service
Cost-of-living adjustments:	3% for those eligible

*Includes inflation at 3%.

See Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees of the
Oklahoma Law Enforcement Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Law Enforcement Retirement Plan (the "Plan"), administered by the Oklahoma Law Enforcement Retirement System, which is a part of the State of Oklahoma financial reporting entity, which comprise the statement of fiduciary net position as of June 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2016. Our report includes an explanatory paragraph disclaiming an opinion on required supplementary information. Our report also includes an explanatory paragraph to emphasize the adoption of GASB 72 by the Plan.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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

(Continued)

1421 East 45th Street • Shawnee, OK 74804
P: 405.878.7300 • www.finley-cook.com • F: 405.395.3300

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Internal Control Over Financial Reporting, Continued

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 Plan'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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley & Cook, PLLC

Shawnee, Oklahoma
October 18, 2016