

Oklahoma Municipal Retirement Fund

Financial Statements

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



OKLAHOMA MUNICIPAL RETIREMENT FUND

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Oklahoma Municipal Retirement Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Municipal Retirement Fund (the "Fund"), which comprise the statements of fiduciary net position (Defined Benefit and Defined Contribution Plans) 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)

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 plans (Defined Benefit and Defined Contribution Plans) of the Fund as of June 30, 2016 and 2015, and the respective 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 1 to the financial statements, in 2016 the Fund adopted new accounting guidance, Statement No. 72 of the Governmental Accounting Standards Board, *Fair Value Measurement and Application*. Adoption of this statement resulted in presentation changes to the financial statements and 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-8 and the schedule of investment returns on page 42 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 Information

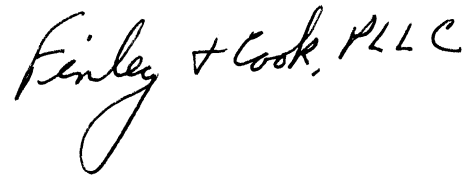
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying analysis of fund ownership for defined contribution plans is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Finley + Cook, PLLC". The signature is written in a cursive, flowing style.

Shawnee, Oklahoma
December 16, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Oklahoma Municipal Retirement Fund (the “Fund”), we offer readers of the Fund’s financial statements this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the Fund’s financial statements, which begin on page 4.

Financial Highlights—Defined Benefit Plans

	<u>2016</u>	<u>2015</u>
• Fiduciary net position restricted for pension benefits	\$ 488,247,370	488,528,392
• Contributions:		
Municipalities/municipal agencies	17,955,895	21,552,259
Employees	6,266,356	5,980,012
• Total investment income	5,726,197	14,778,425
• Benefits, including member refunds	27,878,170	26,077,436
• Investment expenses	1,386,615	1,394,059
• Administrative expenses	964,685	989,434
• Changes in fiduciary net position	(281,022)	13,849,767

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Highlights—Defined Contribution Plans

	<u>2016</u>	<u>2015</u>
• Fiduciary net position restricted for plan benefits	\$ 295,650,265	291,909,383
• Contributions:		
Municipalities/municipal agencies	14,074,911	13,092,221
Employees	6,602,417	6,164,922
• Investment income, net	4,768,236	7,378,848
• Investment income on participant loans	323,508	387,745
• Benefits, including member refunds	21,084,422	19,100,672
• Withdrawal of municipalities	-	732,924
• Administrative expenses	943,768	655,915
• Changes in fiduciary net position	3,740,882	6,534,225

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual financial report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The Fund offers both a defined benefit plan and a defined contribution plan in which the participating municipal employers share administrative expenses. The Fund is authorized under State statutes to pool funds for investment purposes. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The statements provide financial information about the activities and operations of the Fund.

The statements of fiduciary net position present information on the assets of the Fund, along with liabilities, and the resulting net position held in trust for benefits as of the end of the fiscal year. The Fund's investments are presented at fair value.

The statements of changes in fiduciary net position are presented in order to show the changes in net position during the year. Activity of the Fund consists primarily of contributions to the Fund, unrealized and realized gains and losses on investments, investment income, benefits paid, investment and administrative expenses paid directly from the Fund, and addition or withdrawal of municipalities or plans.

The notes to financial statements provide additional information that is essential to gain a full understanding of the data provided in the financial statements.

The required supplementary information consists of management's discussion and analysis and a schedule of investment returns.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR

Defined Benefit Net Position

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

	<u>2016</u>	<u>2015</u>	% Increase (Decrease)
Cash and short-term investments	\$ 4,802,231	5,440,389	(11.73)%
Investments, at fair value	483,466,456	482,228,103	0.26%
Securities lending collateral	2,998,619	3,134,189	(4.33)%
Receivables	<u>1,098,721</u>	<u>1,718,049</u>	(36.05)%
 Total assets	 <u>492,366,027</u>	 <u>492,520,730</u>	 (0.03)%
 Liabilities	 <u>4,118,657</u>	 <u>3,992,338</u>	 3.16%
 Fiduciary net position	 <u>\$ 488,247,370</u>	 <u>488,528,392</u>	 (0.06)%

Investments are made in accordance with the investment policy approved by the Board of Trustees. A more detailed description of the types of investments held and the investment policy are presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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

Defined Benefit Changes in Net Position

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

	<u>2016</u>	<u>2015</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 24,222,251	27,532,271	(12.02)%
Net investment income	<u>4,339,582</u>	<u>13,384,366</u>	(67.58)%
Total additions	<u>28,561,833</u>	<u>40,916,637</u>	(30.20)%
Deductions			
Benefits, including member refunds	27,878,170	26,077,436	6.91%
Administrative expenses	<u>964,685</u>	<u>989,434</u>	(2.50)%
Total deductions	<u>28,842,855</u>	<u>27,066,870</u>	6.56%
Changes in fiduciary net position	<u><u>\$ (281,022)</u></u>	<u><u>13,849,767</u></u>	(102.03)%

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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

Defined Contribution Net Position

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

	<u>2016</u>	<u>2015</u>	<u>% Increase (Decrease)</u>
Cash and short-term investments	\$ 60,373	10,290,760	(99.41)%
Investments, at fair value	286,288,801	278,022,648	2.97%
Securities lending collateral	-	1,088,461	(100.00)%
Participant loans	9,455,271	9,181,075	2.99%
Receivables	<u>642,804</u>	<u>920,491</u>	(30.17)%
 Total assets	 <u>296,447,249</u>	 <u>299,503,435</u>	 (1.02)%
 Liabilities	 <u>796,984</u>	 <u>7,594,052</u>	 (89.51)%
 Fiduciary net position	 <u><u>\$ 295,650,265</u></u>	 <u><u>291,909,383</u></u>	 1.28%

Investments are made in accordance with the investment policy approved by the Board of Trustees. A more detailed description of the types of investments held and the investment policy are presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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

Defined Contribution Changes in Net Position

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

	<u>2016</u>	<u>2015</u>	<u>% Increase (Decrease)</u>
Additions			
Contributions	\$ 20,677,328	19,257,143	7.37%
Net investment income	4,768,236	7,378,848	(35.38)%
Interest income on participant loans	<u>323,508</u>	<u>387,745</u>	(16.57)%
Total additions	<u>25,769,072</u>	<u>27,023,736</u>	(4.64)%
Deductions			
Benefits, including member refunds	21,084,422	19,100,672	10.39%
Withdrawal of municipalities	-	732,924	(100.00)%
Administrative expenses	<u>943,768</u>	<u>655,915</u>	43.89%
Total deductions	<u>22,028,190</u>	<u>20,489,511</u>	7.51%
Changes in fiduciary net position	<u>\$ 3,740,882</u>	<u>6,534,225</u>	(42.75)%

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The purpose of the Fund is to provide cities, towns, and municipal agencies of Oklahoma with qualified retirement programs at minimal time, cost, and effort. The Fund offers several retirement plan alternatives for municipal employers, which include a Defined Benefit (“DB”) and/or a Defined Contribution (“DC”) plan. It is up to the member municipalities to choose which program best fits their needs. Funding for both plans is typically provided by contributions from the municipalities and their employees (“Participants”).

Although each municipality’s plan is funded separately, all assets for the DB plans are combined for investment purposes. The funds are invested for conservative long-term growth. All assets are held in a trust fund, and the Fund’s Board of Trustees retains professional investment managers to invest the funds. The DC plans are also combined for investment purposes; however, the Fund provides several investment alternatives with varying degrees of risk and reward. These alternatives provide Participants the ability to select a combination of investments to best meet their individual objectives, whether they are just beginning their careers or are close to retirement. Therefore, we will not show the Fund’s net yield on its average assets for the year ended June 30, 2016 or 2015, for the DC plan because the returns are solely based on each Participant’s investment selection.

Investment income for the DB plans has seen nominal growth during the past year as the investment markets have experienced more turbulence. The diversity of the Fund’s investment portfolio continues to provide both security and potential growth with its 65/30/5 split between stocks, bonds, and real estate, respectively. The Fund’s yield on its average assets for the years ended June 30 and the yield for the S&P 500 and the Barclays Capital U.S. Aggregate during the same period were as follows:

	<u>2016</u>	<u>2015</u>
Fund's yield on average assets	1.29%	3.20%
S&P 500 yield	3.99%	7.42%
Barclays Capital U.S. Aggregate yield	6.00%	1.86%

Total benefit payments for the DB plans and DC plans increased this year, but will always vary based on specific activity within the individual plans.

The Fund members share plan operational costs, enabling many municipalities to provide plans which might not be affordable otherwise. The major components of the expenses are for investment management of the assets, actuarial and participant recordkeeping, payroll-related expenses for the employees of the Fund, custodial and legal fees, and miscellaneous office expenses. The Fund uses commingled funds and mutual funds to invest a portion of the assets. These mutual funds have internal expenses and management fees that have not been itemized as Fund expenses since they are not paid directly by the Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

ANALYSIS OF THE OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS, CONTINUED

While the Fund is directly impacted by the overall investment market changes, investments are made based on their expected long-term performance and in the best interest of the members of the Fund. With over \$788 million in assets and a wide range of diversity of investments, the Fund has the financial resources to maintain its current investment strategies while continuing to review other investment options to benefit its members.

During the year, four new plans were established; two of those were new members to the Fund and two were current members that added an additional plan. There were three DC plan terminations.

No other items are known by management to have a significant impact on the operations or financial position of the Fund as of December 16, 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fund'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, % Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

OKLAHOMA MUNICIPAL RETIREMENT FUND**STATEMENTS OF FIDUCIARY NET POSITION—
DEFINED BENEFIT PLANS**

<i>June 30,</i>	<i>2016</i>	<i>2015</i>
Assets		
Cash and short-term investments	\$ 4,802,231	5,440,389
Investments, at fair value:		
Fixed income securities	146,357,341	140,159,349
Equity securities—domestic	170,304,752	171,549,793
Equity securities—international	91,805,116	95,944,369
Equity securities—real estate	234,068	729,748
Alternative investments	44,433,839	46,619,574
Real estate	30,331,340	27,225,270
Total investments, at fair value	483,466,456	482,228,103
Securities lending collateral	2,998,619	3,134,189
Receivables:		
Contributions receivable from municipalities/municipal agencies	533,459	717,262
Contributions receivable from employees	204,909	247,662
Accrued interest and dividends receivable	48,612	80,413
Due from broker	311,741	672,712
Total receivables	1,098,721	1,718,049
Total assets	492,366,027	492,520,730
Liabilities		
Payable to participants	785,771	328,839
Due to broker	334,267	529,310
Securities lending collateral payable	2,998,619	3,134,189
Total liabilities	4,118,657	3,992,338
Fiduciary net position restricted for pension benefits	\$ 488,247,370	488,528,392

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF FIDUCIARY NET POSITION— DEFINED CONTRIBUTION PLANS

<i>June 30,</i>	<i>2016</i>	<i>2015</i>
Assets		
Cash and short-term investments	\$ 60,373	10,290,760
Investments, at fair value:		
Fixed income securities	58,548,323	100,019,333
Equity securities—domestic	61,045,431	128,519,144
Equity securities—international	10,555,281	49,109,425
Target date funds	156,139,766	-
Equity securities—real estate	-	374,746
Total investments, at fair value	286,288,801	278,022,648
Securities lending collateral	-	1,088,461
Participant loans	9,455,271	9,181,075
Receivables:		
Contributions receivable from municipalities/ municipal agencies	458,965	375,798
Contributions receivable from employees	183,839	185,205
Accrued interest and dividends receivable	-	33,938
Due from broker	-	325,550
Total receivables	642,804	920,491
Total assets	296,447,249	299,503,435
Liabilities		
Payable to participants	796,984	4,324,336
Due to member	-	732,924
Due to broker	-	1,448,331
Securities lending collateral payable	-	1,088,461
Total liabilities	796,984	7,594,052
Fiduciary net position restricted for plan benefits	\$ 295,650,265	291,909,383

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION— DEFINED BENEFIT PLANS

<i>Years Ended June 30,</i>	<i>2016</i>	<i>2015</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 17,955,895	21,552,259
Employees	6,266,356	5,980,012
Total contributions	<u>24,222,251</u>	<u>27,532,271</u>
Investment income:		
Interest and dividends	3,666,318	4,155,829
Net appreciation in fair value of investments	<u>2,059,879</u>	<u>10,622,596</u>
Total investment income	5,726,197	14,778,425
Less investment expense	<u>1,386,615</u>	<u>1,394,059</u>
Net investment income	<u>4,339,582</u>	<u>13,384,366</u>
Total additions	<u>28,561,833</u>	<u>40,916,637</u>
DEDUCTIONS		
Benefits, including member refunds	27,878,170	26,077,436
Administrative expenses	<u>964,685</u>	<u>989,434</u>
Total deductions	<u>28,842,855</u>	<u>27,066,870</u>
Changes in net position	(281,022)	13,849,767
Fiduciary net position restricted for pension benefits, beginning of year	<u>488,528,392</u>	<u>474,678,625</u>
Fiduciary net position restricted for pension benefits, end of year	<u>\$ 488,247,370</u>	<u>488,528,392</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION— DEFINED CONTRIBUTION PLANS

<i>Years Ended June 30,</i>	<i>2016</i>	<i>2015</i>
ADDITIONS		
Contributions:		
Municipalities/municipal agencies	\$ 14,074,911	13,092,221
Employees	<u>6,602,417</u>	<u>6,164,922</u>
Total contributions	<u>20,677,328</u>	<u>19,257,143</u>
Net investment income	4,768,236	7,378,848
Interest income on participant loans	<u>323,508</u>	<u>387,745</u>
Total additions	<u>25,769,072</u>	<u>27,023,736</u>
DEDUCTIONS		
Benefits, including member refunds	21,084,422	19,100,672
Withdrawal of municipalities	-	732,924
Administrative expenses	<u>943,768</u>	<u>655,915</u>
Total deductions	<u>22,028,190</u>	<u>20,489,511</u>
Changes in net position	3,740,882	6,534,225
Fiduciary net position restricted for plan benefits, beginning of year	<u>291,909,383</u>	<u>285,375,158</u>
Fiduciary net position restricted for plan benefits, end of year	<u>\$ 295,650,265</u>	<u>291,909,383</u>

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

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Fund

The Oklahoma Municipal Retirement Fund (the “Fund”) was established July 1, 1966, for the purpose of providing a trust instrument for the administration of retirement allowances and other specified benefits for employees of city or town governments and municipally owned agencies in Oklahoma. These municipalities may elect to participate in the Fund in order to provide for the retirement of their employees who are not covered by another retirement plan. There are two programs available to each participating municipality, one being a defined contribution plan and the other a defined benefit plan. Each plan has various available options. The defined benefit plan is an agent multiple-employer type plan.

The overall operations of the Fund are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank (“JPMorgan”) acts as securities custodian for the defined benefit plans and Voya Financial acts as securities custodian for the defined contribution plans. The Fund utilizes mutual funds, collective trust funds of banks and trust companies, or separate accounts specifically tailored for the Fund by investment advisors, greatly expanding the universe of managers to choose from. In each case, rigorous standards for selection and monitoring are applied. The usage of vehicles other than mutual funds may enable the Fund to reduce expenses or utilize the talent of an investment manager that might not be available via a mutual fund. The investment managers utilized by the Fund during the year are as follows:

Manager	Style	Type
<u>Defined Benefit</u>		
Artisan Funds, Inc.	Active	Commingled Fund
Goldman Sachs Trust Financial Square Fund	Active	Mutual Fund
GP Feeder Fund Management, LLC	Active	Conduit for Private Investment Funds
GW Capital, Inc.*	Active	Separate Account Manager
Harding Loevner, LP	Active	Collective Trust Fund
INTECH Investment Management, LLC	Active	Separate Account Manager
Invesco Stable Value Trust*	Active	Collective Trust Fund
Investec Asset Management North America, Inc.	Active	Collective Trust Fund
JPMorgan Asset Management	Active	Commingled Funds and Collective Trust Fund
Pioneer Institutional Asset Management, Inc.	Active	Collective Trust Fund
River Road Asset Management, LLC	Active	Separate Account Manager
State Street Global Advisors	Passive	Collective Trust Fund
TimesSquare Capital Management, LLC	Active	Separate Account Manager
WCM Investment Management	Active	Limited Partnership for Private Placement

*As of June 30, 2016, the Fund no longer utilized these investment managers.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Manager	Style	Type
<u>Defined Contribution</u>		
Artisan Funds, Inc.	Active	Mutual Fund
Fred Alger Management, Inc.	Active	Collective Trust Fund
Harding Loevner, LP	Active	Collective Trust Fund
Integrity Asset Management	Active	Mutual Fund
JPMorgan Asset Management	Active	Collective Trust Fund
Pioneer Institutional Asset Management, Inc.	Active	Collective Trust Fund
State Street Global Advisors	Passive	Collective Trust Fund
TimesSquare Capital Management, LLC	Active	Mutual Fund
Vanguard Institutional Asset Management	Active	Mutual Fund
Voya Financial	Active	Annuity Contract Fund

There were 217 and 216 member municipalities in the Fund at June 30, 2016 and 2015, respectively. The members use a defined benefit plan, a defined contribution plan, or a combination of plans. As of June 30, 2016, there was a total of 336 plans administered by the Fund, which included 133 defined benefit plans and 203 defined contribution plans. As of June 30, 2015, there was a total of 335 plans administered by the Fund, which included 133 defined benefit plans and 202 defined contribution plans.

Employee membership data related to the defined benefit plans is as follows:

	<u>Plans with Actuarial Information at</u>	
	<u>July 1,</u> <u>2016</u>	<u>July 1,</u> <u>2015</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>2,361</u>	<u>2,298</u>
	<u>July 1,</u> <u>2015*</u>	<u>July 1,</u> <u>2014*</u>
Active participants:		
Vested	1,731	1,786
Nonvested	<u>2,180</u>	<u>2,175</u>
	<u>3,911</u>	<u>3,961</u>

* This was the most current information available on active participants as of the audit report date.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Employee membership data related to defined benefit plans with retirees only of municipalities which no longer participate in the Fund is as follows:

	<u>Plans with Actuarial Information at</u>	
	<u>July 1,</u>	<u>July 1,</u>
	<u>2015</u>	<u>2014</u>
Retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them	<u>76</u>	<u>79</u>

The municipalities involved are still responsible for maintaining the funded status of the plans.

In general, the Fund provides retirement benefits based on either the members' final average compensation, age, term of service, plus annual cost-of-living adjustments, if so elected, or the accumulation of contributions and earnings, depending upon the type of plan elected. Benefit and funding provisions include:

Defined Benefit Plans

- Members participating in a defined benefit plan become 100% vested in retirement benefits earned to date according to the plan option elected by the municipality. Vesting can occur after 5 years, 7 years, or 10 years, depending on the election made. Participants are eligible for normal retirement at their normal retirement age, which is generally the latter of age 65 or becoming vested. If elected by members, normal retirement could be as early as age 55, 60, or 62, with various service requirements. Early retirement benefits are available at reduced amounts as early as age 55. The normal retirement benefit is equal to an elected percentage of final compensation for each year of credited service. Final compensation is defined as the average salary for the highest 60 consecutive months out of the last 10 years of the participant's employment.*
- A member is eligible for disability benefits upon becoming disabled and vested.
- On non-hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to a 6% return on their contributions. On hybrid municipalities, upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to real investment returns/losses on their contributions.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Defined Benefit Plans, Continued

- The monthly employer contribution requirement for each municipality participating in one of the defined benefit plans is based upon a percentage of employees' compensation. The percentage for each municipality is computed every year by the Fund's actuary, pursuant to an actuarial cost method which consists of the actuarially computed normal costs and the interest on any unfunded past service costs amortized over a fixed 30-year period, which began the later of July 1, 2013, or the 1st amortization date after joining the Fund.

_____*Bartlesville is the only exception. They have a career average plan and allow for normal retirement upon reaching Rule of 80 with no age minimum.

Health Plans—Included in the defined benefit plans at June 30, 2016 and 2015, were assets totaling approximately \$561,000 and \$520,000, respectively, for medical plans for two cities: Bartlesville and Mannford. During 2016, the City of Weatherford elected a health plan; however, there were not any assets in the health plan at June 30, 2016.

Deferred Retirement Option Program (DROP)—Included in the defined benefit plans at June 30, 2016 and 2015, were balances of approximately \$81,000 and \$209,000, respectively, in the DROP. One member city with a total of two participants has adopted the DROP program. The terms for the DROP are as follows:

An individual participant within one year of their normal retirement date may elect the DROP in lieu of terminating employment; DROP payments are in lieu of and not in addition to any other benefit provisions; no payments shall be made to the participant during the DROP period of 5 years; no additional retirement benefits accrue during the DROP period; participant contributions cease as of the effective date of the DROP; and interest of 3% per annum shall be credited to the participant's DROP balance.

Defined Contribution Plans

The defined contribution plans are funded through selected rates of contributions as elected by each municipality. The funds are credited to individual participant accounts and pooled for investment purposes through the Fund. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vested portion of a participant's account is paid to the participant or beneficiary as elected and in accordance with IRS regulations. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Description of the Fund, Continued

Termination and Withdrawal

An employer under a defined benefit plan may at any time terminate its involvement with the Fund with respect to its employees, pursuant to ordinance approved by the governing body of the employer, and may direct and require the Board of Trustees to liquidate the portion of the Fund allocable to its employees or their beneficiaries in the following order:

- a. Benefits attributable to employee contributions with interest, taking into account those paid out before termination.
- b. Benefits to former employees or their beneficiaries receiving a retirement income or those employees who have become eligible for normal retirement but have not yet retired.
- c. Pensions deferred to normal retirement date for participants who have qualified for an early deferred pension.
- d. Pensions deferred to normal retirement date for participants who have qualified for a deferred vested pension.
- e. All other vested benefits.
- f. All nonvested benefits.
- g. All remaining assets shall be distributed as designated by the employer's retirement committee.

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 date. 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).

Income Taxes

The Fund is exempt from federal and state income taxes.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments

The Fund is authorized to invest in eligible investments as approved by the Board of Trustees as set forth in the investment policy. The Board of Trustees reviews and updates the investment policy at least annually, making changes deemed necessary to achieve policy goals.

Investment Allocation Policy—The Board of Trustees has adopted the asset allocation policy shown below for Fund assets. Target percentages have been determined for each asset class, along with allocation ranges. Percentage allocations are intended to serve as guidelines; the Board of Trustees will not be required to remain strictly within the designated ranges. Market conditions or an investment transition by asset class or manager may require an interim investment strategy and, therefore, result in a temporary imbalance from the target allocation ranges in the asset mix. Figures below reflect percentages of total assets.

Defined Benefit Assets:

Asset Class	Minimum	Target	Maximum	Benchmark
Large cap equity	20%	25%	30%	S&P 500 Index
Small/mid cap equity	5%	10%	15%	Russell 2500 Index, Russell 2000 Index
Non-U.S. equity	10%	20%	30%	MSCI ACWI ex-U.S. index
Alternative investments	5%	10%	15%	MSCI ACWI Index
Fixed income	25%	30%	35%	Barclay's Capital U.S. Aggregate Bond Index
Real estate	0%	5%	10%	NCREIF Index

Defined Contribution Assets:

Growth & Value Fund	Minimum	Target	Maximum	Benchmark
Vanguard Windsor II	20%	25%	30%	Russell 1000 Value Index
Vanguard Total Stock Index	45%	50%	55%	S&P 500 Index
Fred Alger Capital Appreciation	20%	25%	30%	Russell 1000 Growth Index

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Investment Allocation Policy—Continued

Defined Contribution Assets, Continued:

Aggressive Equity Fund	Minimum	Target	Maximum	Benchmark
Victory Integrity Small Cap Index	20%	25%	30%	Russell 2000 Value Index
SSgA Russell Small Cap Completeness Index	45%	50%	55%	Russell Small Cap Completeness
TimesSquare Small Cap Growth	20%	25%	30%	Russell 2000 Growth Index
International Equity Fund	Minimum	Target	Maximum	Benchmark
Artisan International Value	20%	25%	30%	MSCI EAFE Index
SSgA Global Equity ex-U.S.	20%	25%	30%	MSCI ACWI ex-U.S. Index
Harding Loevner International	20%	25%	30%	MSCI ACWI ex-U.S. Index
Harding Loevner Emerging Markets Equity	20%	25%	30%	MSCI Emerging Markets Index
Total Yield Bond Fund	Minimum	Target	Maximum	Benchmark
JPMorgan Core Bond	45%	50%	55%	Barclays Capital U.S. Aggregate Bond Index
Pioneer Opportunistic Core Plus	45%	50%	55%	Barclays Capital Universal Bond Index

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments, Continued

Significant Investment Policy Changes Made During the Year—During the year ended June 30, 2016, the Board of Trustees for the defined benefit plan removed and renamed the international developed equity and the emerging markets asset classes to the non-U.S. equity asset class, with an allocation range of 10%–30%. Additionally, with the custodian changing from JPMorgan to Voya Financial for the defined contribution plans, investment policy changes were made. During the year ended June 30, 2015, the Board of Trustees added an allocation for emerging markets equity of 0%–10% and changed the allocation for international equity from 15%–25% to 10%–20%.

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 0.89% and 2.82%, 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—Investments are stated at fair value.

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, 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 the 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. The levels are presented as of June 30, 2016, as amounts at June 30, 2015, were not readily available.

Because the investments are reported at fair values, the financial statements of the Fund are directly impacted by interest rate changes and market conditions. In addition, the Fund has investments in securities of foreign governments which are subject not only to changes in values due to interest rates but also to domestic, international, and world trade policies.

The net depreciation or appreciation in the fair value of the Fund's investments is recorded as a component of investment income based on the valuation of investments as of June 30, 2016 and 2015.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Investments, Continued

Method Used to Value Investments—Continued

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The Fund's investment policy addresses the use of derivatives by fund manager. Investments in commingled funds may include derivatives. Commingled funds have been reviewed to ensure they are in compliance with the Fund's investment policy. The Fund did not hold any direct derivative investments as of June 30, 2016 or 2015.

The investment policy limits the concentration of each portfolio manager. No direct investment in any one organization represents 5% or more of the net position restricted for pension benefits.

At June 30, 2016 and 2015, the Fund's investments included short-term investments of \$11,393 and \$8,202,764, respectively. These represent monies invested in a diversified pool consisting of U.S. government obligations, bank obligations, commercial investments, and repurchase agreements secured by U.S. Treasury obligations. Because of the nature and liquidity of these investments, they are classified as cash equivalents. Debt and equity securities are reported at fair value, as determined by the Fund's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges.

Participant Loans

The Fund began a participant loan program on July 1, 1996. Municipalities can elect to include the participant loan program as part of their defined contribution plan. Plan participants can borrow up to the lesser of \$50,000 or 50% of the participant's vested balance. The minimum amount of a loan is \$1,000. Special rules apply to the City of Muskogee and the City of Sand Springs.

Earnings attributable to the participant loans are allocated only to the account of the borrowing participant.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant estimates and assumptions that affect the reported amounts of net position restricted for benefits at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Contributions to the Fund 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 uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Employee Costs

The Fund hires Nextep, Inc. to provide administrative services, including payroll, human resources, employee health and welfare benefits, and cafeteria plan benefits; therefore, the Fund does not remit federal or state withholding taxes directly to the taxing agencies. Nextep, Inc. charges the Fund 1.58% of its gross wages as administrative costs. Employee costs are paid through the Trust Administrative Account, which is detailed in Note 5. The employees' retirement plan is through the Fund. The Fund adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68), as of July 1, 2014, as it applies to its retirement plan. The net pension liability of its retirement plan as of the measurement dates of July 1, 2015 and 2014, was \$222,207 and \$79,830, respectively, with no material impact on the Fund's financial statements.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) 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 Fund adopted this statement on July 1, 2015. Adoption of this statement resulted in presentation changes to the financial statements and 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 Fund adopted this statement on July 1, 2015. The adoption had no significant impact on the Fund's 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 Fund adopted this statement on July 1, 2015. The adoption had no significant impact on the Fund's financial statements.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recent Accounting Pronouncements, Continued

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 Fund will adopt GASB 77 effective July 1, 2016, for the June 30, 2017, reporting year. The Fund does not expect GASB 77 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 Fund adopted this statement on July 1, 2015. The adoption of this statement had no significant impact on the financial statements.

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 Fund adopted this statement July 1, 2015. The adoption had no significant impact on the Fund’s financial statements.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reclassification of Prior Year Amounts

Certain amounts for 2015 have been reclassified to make them comparable with the 2016 presentation. A large part of the changes were due to the Fund changing service providers for the defined contribution plans during the year ended June 30, 2016.

Date of Management's Review of Subsequent Events

The Fund has evaluated subsequent events through December 16, 2016, the date that the financial statements were available to be issued, and determined that no subsequent events have occurred which require adjustment or disclosure in the financial statements.

(2) CASH AND INVESTMENTS

At June 30, cash and short-term investments were comprised of the following:

	2016	
	Defined <u>Benefit Plans</u>	Defined <u>Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 4,790,838	60,373
Short-term investments	11,393	-
	<u>\$ 4,802,231</u>	<u>60,373</u>
	2015	
	Defined <u>Benefit Plans</u>	Defined <u>Contribution Plans</u>
Cash on deposit with custodial agent:		
U.S. currency deposits	\$ 3,508,851	4,019,534
Short-term investments	1,931,538	6,271,226
	<u>\$ 5,440,389</u>	<u>10,290,760</u>

The short-term investments are considered cash equivalents and are invested in U.S. Treasury money market funds.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

During 2016 and 2015, the Fund's defined benefit investments, including investments bought, sold, as well as held during the year, appreciated (depreciated) in value as follows:

<u>2016</u>	Defined <u>Benefit Plans</u>
Unrealized appreciation:	
Debt securities	\$ 4,109,427
Equity securities	<u>1,281,671</u>
Net unrealized appreciation	5,391,098
Net realized depreciation	<u>(3,331,219)</u>
Net appreciation in fair value of investments	<u>\$ 2,059,879</u>
 <u>2015</u>	 Defined <u>Benefit Plans</u>
Unrealized (depreciation) appreciation:	
Debt securities	\$ (353,832)
Equity securities	<u>16,136,529</u>
Net unrealized appreciation	15,782,697
Net realized depreciation	<u>(5,160,101)</u>
Net appreciation in fair value of investments	<u>\$ 10,622,596</u>

Also included in the current appreciation in the fair value of investments are dividends reinvested in mutual funds.

The Fund's defined contribution investments reflected net investment income of \$4,768,236 and \$7,378,848 for the years ended June 30, 2016 and 2015, respectively. A more detailed breakdown of the net investment income is not available.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

While the Fund has no direct investment in any one organization over 5%, it does have investments in the following mutual funds or collective trust funds at June 30 which are over 5% of the net position of each plan.

<u>Description</u>	<u>Fair Value</u>	
	<u>2016</u>	<u>2015</u>
<u>Defined Benefit Plans:</u>		
JPMorgan Core Bond Fund	\$ 83,034,810	78,466,695
Pioneer Multi-Sector Fixed Income Fund	63,322,531	61,692,654
WCM Focused International Growth Fund	24,531,712	- *
State Street Global Advisors S&P 500 Flagship Fund	105,531,094	95,487,552
Guggenheim Hedge Funds, Long Short	44,433,839	46,619,574
<u>Defined Contribution Plans:</u>		
Voya Fixed Plus III	37,513,967	- *
State Street Global Advisors Target Retirement Income Fund	26,417,915	- *
State Street Global Advisors Target Retirement 2020	33,450,466	- *
State Street Global Advisors Target Retirement 2025	32,384,360	- *
State Street Global Advisors Target Retirement 2030	20,788,802	- *
State Street Global Advisors Target Retirement 2035	15,992,709	- *
Invesco Stable Value Trust Fund	- *	17,088,622
State Street Global Advisors S&P 500 Flagship Fund	21,684,677	35,732,124
Vanguard LifeStrategy Conservative Growth Fund	- *	30,154,627
Vanguard LifeStrategy Moderate Growth Fund	- *	27,956,118
JPMorgan Core Bond Fund	- *	18,892,058

*Investment did not represent 5% or more of the Plan's net position at indicated year-end.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Fund 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 Fund, or are held by a counterparty or the counterparty's trust department but not in the name of the Fund. The investment policy states that the Fund shall mitigate custodial risk by having a continuing deposit security agreement in place with the bank on each of the operating cash accounts. The agreement requires the bank to pledge assets in an amount equal to or greater than the aggregate deposit account balance over the Federal Deposit Insurance Corporation (FDIC) insured amount. The collateral is delivered and held by the Federal Reserve Bank in the name of the Fund. The investment policy also states that the Fund shall rely on Title 12 of the Code of Federal Regulations (12 CFR) Part 9, Section 13 issued by the Comptroller of the Currency, which states that a national bank shall keep the assets of the fiduciary accounts separate from the assets of the bank.

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 states that investments should be prudently managed relative to the given benchmark for that investment manager so as to avoid excessive exposure to any single currency. Country exposures are monitored through a quarterly performance report provided by the investment consultant.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

Investment in international equity securities as of June 30 is shown by monetary unit to indicate possible foreign currency risk as follows:

<u>Currency</u>	2016		2015	
	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>	Defined Benefit <u>Plans</u>	Defined Contribution <u>Plans</u>
U.S. dollar*	\$ 4,913,942	-	3,286,932	991,578
Mutual funds*	-	-	-	25,161,258
Commingled funds and collective trust funds*	<u>86,891,174</u>	<u>10,555,281</u>	<u>92,657,437</u>	<u>22,956,589</u>
	<u>\$ 91,805,116</u>	<u>10,555,281</u>	<u>95,944,369</u>	<u>49,109,425</u>

* Represents international investments traded in U.S. dollars.

At June 30, 2016 and 2015, commingled funds and collective trust funds were made up of the following:

- Artisan International Value Institutional Fund—The investment objective of the fund is maximum long-term capital growth. The fund employs a fundamental investment process to construct a diversified portfolio of stocks of undervalued non-U.S. companies of all sizes. Under normal market conditions, the fund invests no less than 80% of its total assets (excluding cash and cash equivalents), measured at market value at the time of purchase, in common stocks and other equity and equity-linked securities of non-U.S. companies. The fund invests primarily in developed markets but may also invest in emerging and less developed markets.
- State Street Global Advisors Global Equity Ex-U.S. Index Fund—The investment objective of the fund is to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index, the MSCI ACWI with the exception of the United States Index (the “index”), over the long term. The fund is managed using a passive or indexing investment approach by which SSgA attempts to match, before expenses, the performance of the index. SSgA typically invests in the securities comprising the index in approximately the same proportions as they are represented in the index.

See Independent Auditors’ Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Foreign Currency Risk, Continued

- WCM Focused International Growth Fund LP—The investment objective of the fund is to seek long-term capital appreciation by investing primarily in equity securities of non-U.S. domiciled companies or depository receipts of non-U.S. domiciled companies. The funds' investments in equity securities may include common stocks, preferred stocks and warrants, but may also invest in emerging markets.
- Harding Loevner Emerging Markets Collective Investment Trust Fund—The investment objective of the fund is to seek superior long-term returns from a portfolio of well-managed, financially strong companies in growing businesses that have clear competitive advantage. The fund will invest in equity securities of companies based in emerging markets and normally hold 50–80 investments in at least 15 countries. To reduce volatility, the fund will be diversified.
- Harding Loevner International Equity Portfolio Fund—The investment objective of the fund is to seek long-term capital appreciation through investments in equity securities of companies based outside of the United States.
- Investec Global Select LLC Investec International Dynamic Equity Fund—The investment objective of this fund is to achieve long-term capital growth primarily through investment in the equity securities of companies in all economic sectors in any part of the world except the U.S. At least two-thirds of the fund's assets will be invested in equities of companies domiciled in Europe, Australia, Asia, and Latin America.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH 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 for core fixed income managers requires the security to have a minimum quality rating of Standard & Poor's BBB at the time of purchase and the portfolio to maintain an average of AA or higher. For core plus fixed income managers, the investment policy requires the overall portfolio to maintain an average credit quality of BBB- or better. Exposure to credit risk as of June 30 was as follows:

<u>Investment Type</u>	<u>Standard & Poor's Ratings (Unless Noted)</u>	2016			
		<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>	
		<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
			as a Percent of Total Fixed Maturity		as a Percent of Total Fixed Maturity
		<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
Collective trust funds:					
Voya Fixed Plus III Fund ⁽¹⁾	Not Rated	\$ -	N/A	37,513,966	64.07%
JPMorgan Core Bond Fund ⁽²⁾	Not Rated	83,034,810	56.73%	3,826,322	6.54%
Pioneer Multi-Sector Fixed Income Fund ⁽³⁾	Not Rated	63,322,531	43.27%	3,846,210	6.57%
State Street Global Advisors U.S. Bond Index Fund ⁽⁴⁾	Not Rated	-	N/A	13,361,825	22.82%
Total fixed income securities		<u>\$ 146,357,341</u>	<u>100.00%</u>	<u>58,548,323</u>	<u>100.00%</u>

⁽¹⁾ The Voya Fixed Plus III Fund is intended to be a long-term investment for participants seeking stability of principal. At June 30, 2016, the Voya Fixed Plus III Fund was weighted as follows: 43% U.S. Corporate public and private, 20% international corporate public and private, 26% real estate and mortgage-backed securities, 5% treasuries, and 6% other.

⁽²⁾ The JPMorgan Core Bond Fund invests primarily in a diversified portfolio of intermediate- and long-term debt securities. The fund is designed to maximize total return by investing in a portfolio of investment grade intermediate-and long-term debt securities. As part of its main investment strategy, the fund may principally invest in corporate bonds, U.S. Treasury obligations and other U.S. government and agency securities, and asset-backed, mortgage-related and mortgage-backed securities.

(Continued)

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

-
- (3) At June 30, 2016, the Pioneer Multi-Sector Fixed Income Fund was weighted as follows: 18.7% agency mortgage-backed securities, 12.9% U.S. investment grade, 7.4% non-agency, 12.0% emerging market, 6.6% international investment grade, 10.0% bank loans, 4.0% commercial mortgage-backed securities, 14.3% U.S. high yield, and 14.1% all others. The fund's strategy is an active, value driven multi-sector fixed income strategy that invests across a broad range of global fixed income asset classes. The fund expects to produce higher returns than a U.S. core investment grade strategy while working to limit volatility, due to the diversification benefits of less correlated non-investment grade and global fixed income sectors. Asset allocation and security selection are primary alpha sources, with contributions from interest rate and currency factors.
- (4) As of June 30, 2016, the State Street Global Advisors U.S. Bond Index Fund was weighted as follows: 36.7% treasuries, 27.9% mortgage-backed securities, 23.4% corporates, 5.5% non-corporates, 2.4% agencies, and 4.1% other. The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index over the long term.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

<u>Investment Type</u>	Standard & Poor's Ratings (Unless Noted)	2015			
		<u>Defined Benefit Plans</u>		<u>Defined Contribution Plans</u>	
			Fair Value as a Percent of Total Fixed Maturity	Fair Value as a Percent of Total Fixed Maturity	
		<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Fair Value</u>
Mutual funds:					
Invesco Stable Value					
Trust Fund ⁽¹⁾	Not Rated	\$ -	N/A	17,088,622	17.09%
Vanguard LifeStrategy					
Growth Fund ⁽²⁾	Not Rated	-	N/A	2,190,940	2.19%
Vanguard LifeStrategy					
Income Fund ⁽³⁾	Not Rated	-	N/A	6,050,267	6.05%
Vanguard LifeStrategy					
Conservative Growth Fund ⁽⁴⁾	Not Rated	-	N/A	13,056,953	13.05%
Vanguard LifeStrategy					
Moderate Growth Fund ⁽⁵⁾	Not Rated	-	N/A	8,247,055	8.25%
Vanguard Short Term Bond					
Index Fund ⁽⁶⁾	Not Rated	-	N/A	8,183,528	8.18%
Collective trust funds:					
BNY Mellon Stable Value					
Fund ⁽⁷⁾	Not Rated	-	N/A	1,970,159	1.97%
JPMorgan Core Bond					
Fund ⁽⁸⁾	Not Rated	78,466,695	55.98%	18,892,058	18.89%
Pioneer Multi-Sector Fixed					
Income Fund ⁽⁹⁾	Not Rated	61,692,654	44.02%	14,063,388	14.06%
State Street Global Advisor					
US Bond Index Fund ⁽¹⁰⁾	Not Rated	-	N/A	10,276,363	10.27%
Total fixed income securities		<u>\$ 140,159,349</u>	<u>100.00%</u>	<u>100,019,333</u>	<u>100.00%</u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

-
- (1) At June 30, 2015, the Invesco Stable Value Trust Fund's asset allocation was as follows: 65.7% short duration investments, 26.7% intermediate investments, 1.9% short-term investments, and 5.7% core investments. The primary investment objective of the fund is to seek the preservation of principal and to provide interest income reasonably obtained under prevailing market conditions and rates, consistent with seeking to maintain required liquidity.
- (2) The Vanguard LifeStrategy Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to common stocks and 20% to bonds. The fund's indirect stock holdings are a diversified mix of U.S. and foreign large, mid, and small capitalization stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). The fund seeks to provide long-term capital appreciation and some current income.
- (3) The Vanguard LifeStrategy Income Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the fund's assets to bonds and 20% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The fund seeks to provide current income and some capital appreciation.
- (4) The Vanguard LifeStrategy Conservative Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to bonds and 40% to common stocks. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large-, mid-, and small-capitalization stocks. The fund seeks to provide current income and low-to-moderate capital appreciation.

(Continued)

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Credit Risk, Continued

-
- (5) The Vanguard LifeStrategy Moderate Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the fund's assets to common stocks and 40% to bonds. The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds, as well as mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar (but hedged by Vanguard to minimize currency exposure). Its indirect stock holdings are a diversified mix of U.S. and foreign large, mid, and small capitalization stocks. The fund seeks to provide capital appreciation and a low-to-moderate level of current income.
- (6) As of June 30, 2015, the Vanguard Short Term Bond Index Fund was weighted as follows: 66.3% treasuries, 13.2% industrial, 10.9% finance, 7.9% foreign, and 1.7% other. The fund seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity.
- (7) As of June 30, 2015, the BNY Mellon Stable Value Fund's asset allocation was as follows: 27.7% constant duration synthetic, 17.4% cash equivalent, 19.1% fixed maturity synthetic, 7.4% guaranteed interest contracts, 26.0% separate account, and 2.4% pooled funds. The fund seeks to preserve the principal investment and generate a stable rate of return.
- (8) The JPMorgan Core Bond Fund invests primarily in investment-grade bonds. The fund generally maintains an average weighted maturity between 4 and 12 years, although it may shorten its averaged weighted maturity if deemed appropriate for temporary defensive purposes. The fund also selects individual securities following risk/reward evaluation of interest rate risk, credit risk, and the complex legal and technical structure of the transaction. The fund seeks to maximize total return by investing primarily in a diversified portfolio of intermediate- and long-term debt securities.
- (9) At June 30, 2015, the Pioneer Multi-Sector Fixed Income Fund was weighted as follows: 15.8% agency mortgage-backed securities, 12.3% U.S. investment grade, 5.1% non-agency, 12.0% emerging corporate and sovereign, 4.4% international investment grade, 10.6% bank loans, 10.4% high yields, 4.8% treasuries, and 24.6% all others. The fund's strategy is an active, value driven multi-sector fixed income strategy that invests across a broad range of global fixed income asset classes. The fund expects to produce higher returns than a U.S. core investment grade strategy while working to limit volatility, due to the diversification benefits of less correlated non-investment grade and global fixed income sectors. Asset allocation and security selection are primary alpha sources, with contributions from interest rate and currency factors.
- (10) As of June 30, 2015, the State Street Global Advisors U.S. Bond Index Fund was weighted as follows: 36.1% treasuries, 28.1% mortgage-backed securities, 21.8% corporates, 6.0% non-corporates, 3.1% agencies, and 4.9% other. The fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index over the long term.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH 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. The investment policy does not establish an overall duration period; however, it does establish benchmarks for each investment manager. Core fixed income managers shall be managed to $\pm 25\%$ of their benchmark and core plus fixed income managers' maximum deviation shall remain within $\pm 30\%$ of their benchmark. As of June 30, the Fund had the following fixed income investments with maturities:

2016						
<u>Investment Maturities at Fair Value (in Years)</u>						
	<u>Less than 1</u>	<u>1 or More, Less than 5</u>	<u>5 or More, Less than 10</u>	<u>10 or More</u>	<u>Commingled Funds with No Duration</u>	<u>Total Fair Value</u>
<u>Defined benefit plans:</u>						
Fixed income securities—						
collective trust funds	\$ -	-	-	-	146,357,341	146,357,341
Total defined benefit plans	\$ -	-	-	-	146,357,341	146,357,341
<u>Defined contribution plans:</u>						
Fixed income securities—						
collective trust funds	\$ -	-	-	-	58,548,323	58,548,323
Total defined contribution plans	\$ -	-	-	-	58,548,323	58,548,323

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk, Continued

		2015					
		<u>Investment Maturities at Fair Value (in Years)</u>					<u>Total Fair Value</u>
		<u>Less than 1</u>	<u>1 or More, Less than 5</u>	<u>5 or More, Less than 10</u>	<u>10 or More</u>	<u>Commingled Funds with No Duration</u>	
<u>Defined benefit plans:</u>							
Fixed income securities—							
collective trust funds	\$	-	-	-	-	140,159,349	140,159,349
Total defined benefit plans	\$	-	-	-	-	140,159,349	140,159,349
<u>Defined contribution plans:</u>							
Fixed income securities—							
collective trust funds	\$	-	-	-	-	45,201,967	45,201,967
Fixed income securities—							
mutual funds		-	-	-	-	54,817,366	54,817,366
Total defined contribution plans	\$	-	-	-	-	100,019,333	100,019,333

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Investments 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)
<u>June 30, 2016</u>	Amounts Measured at Fair Value			
<u>Investments by Fair Value Level:</u>				
<u>Defined Benefit Plans</u>				
Cash and short-term investments:				
Goldman Sachs Financial Square Prime Obligations	\$ 11,393	11,393	-	-
Total cash and short-term investments at fair value	\$ 11,393	11,393	-	-
Equity securities:				
U.S. domestic equities	\$ 64,773,658	64,773,658	-	-
International mutual funds	26,523,060	26,523,060	-	-
Real estate equities	234,068	234,068	-	-
Total investments at fair value level	91,530,786	91,530,786	-	-
Investments measured at net asset value (NAV):				
Commingled U.S. domestic equity funds ⁽¹⁾	105,531,094			
Commingled U.S. fixed income funds ⁽²⁾	146,357,341			
Commingled international equity funds ⁽³⁾	65,282,056			
Commingled real estate funds ⁽⁴⁾	30,331,340			
Other—alternative investments ⁽⁵⁾	44,433,839			
Total investments measured at NAV	391,935,670			
Total investments	\$ 483,466,456			

(1) Commingled U.S. domestic funds: Managed using indexing approach to closely replicate performance of the S&P 500 over the long term. There are no remaining unfunded commitments. Redemption of funds can be made daily, or within 15 days if significant.

(2) Commingled U.S. fixed income funds: Consist of two U.S. fixed income funds considered commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair market value of the underlying investments and/or related index funds. There are no remaining unfunded commitments. Redemption of funds can be made daily, or within 15 days if significant.

(Continued)

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

-
- (3) Commingled international equity funds: Consist of three international equity funds considered commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair market value of the underlying investment and/or related index funds. There are no remaining unfunded commitments. Redemption of funds can generally be made daily and monthly with 5 days' notice or 30 days' notice if significant.
 - (4) Commingled real estate funds: Consist of two real estate funds considered commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair market value of the underlying investment and/or related index funds. There are no remaining unfunded commitments. Redemption of funds can generally be made quarterly with 45 days' notice.
 - (5) Other—alternative investments: Consists of ten equity funds, investing in both long and short strategies (hedge funds) in U.S. and global equity funds that are diversified across geographies, sectors and market caps. There are no remaining unfunded commitments. There was an initial lockup of funds for the first 12 months, limiting redemptions for the majority of the funds. Presently redemption can generally be made quarterly with 90 days' notice.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

		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)
<i>June 30, 2016</i>	Amounts Measured at Fair Value			
<u>Investments by Fair Value Level:</u>				
<u>Defined Contribution Plans</u>				
Cash and short-term investments:				
Self-directed broker account	\$ 42,496	42,496	-	-
Total cash and short-term investments at fair value	\$ 42,496	42,496	-	-
Equity securities:				
U.S. domestic mutual funds	\$ 24,580,713	24,580,713	-	-
International mutual funds	2,054,132	2,054,132	-	-
Total investments at fair value level	26,634,845	26,634,845	-	-
Investments measured at net asset value (NAV):				
Commingled U.S. domestic equity funds ⁽¹⁾	36,464,718			
Commingled U.S. fixed income funds ⁽²⁾	21,034,357			
Commingled international equity funds ⁽³⁾	8,501,149			
Passive target date funds ⁽⁴⁾	156,139,766			
Other—annuity pool fund ⁽⁵⁾	37,513,966			
Total investments measured at NAV	259,653,956			
Total investments	\$ 286,288,801			

(1) Commingled U.S. domestic funds: Consist of four domestic equity funds considered commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair market value of the underlying investments and/or related index funds. There are no remaining unfunded commitments. Redemptions can be made daily with 1 day's notice, or with 5 to 15 days' notice if significant.

(2) Commingled U.S. fixed income funds: Consist of three U.S. fixed income funds considered commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair market value of the underlying investments and/or related index funds. There are no remaining unfunded commitments. Redemptions can be made daily with 1 day's notice, or with 5 to 15 days' notice if significant.

(Continued)

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Investments Measured at Fair Value, Continued

-
- (3) Commingled international equity funds: Consist of three international equity funds considered commingled in nature. Each are valued at the net asset value of units held at the end of the period based upon the fair market value of the underlying investments and/or related index funds. There are no remaining unfunded commitments. Redemptions can be made daily with 1 day's notice, or with 5 to 15 days' notice if significant.
- (4) Passive target date funds: Consist of nine funds managed to a specific retirement year and one fund transitioned and managed as a retirement income fund. There are no remaining unfunded commitments. Redemptions can be made daily with 1 day's notice, or with 5 to 15 days' notice if significant.
- (5) Other—annuity pool fund: Available through an annuity contract to be a long-term option to seek stability of principal. The underlying securities are diversified in various fixed income sectors. There are no remaining unfunded commitments. Redemptions can be made daily, quarterly, and annually, with notice from 1 day to 4 years, subject to equity wash restrictions.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Securities Lending

The collateral held, the fair value of the securities on loan, and percentage of collateral-to-loan for the Fund at June 30 were as follows:

	2016		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percentage of Collateral-to-Loan</u>
Defined benefit plans:			
Equity securities—domestic	<u>\$ 2,998,619</u>	<u>2,929,419</u>	102%
	2015		
	<u>Collateral Held</u>	<u>Fair Value of Securities on Loan</u>	<u>Percentage of Collateral-to-Loan</u>
Defined benefit plans:			
Equity securities—domestic	<u>\$ 3,134,189</u>	<u>3,073,500</u>	102%
Defined contribution plans:			
Equity securities—domestic	<u>\$ 1,088,461</u>	<u>1,071,037</u>	102%

As of June 30, 2016 and 2015, the Fund had no risk of loss as the collateral held was more than the fair value of the securities loaned.

During the year ended June 30, 2009, the securities lending program was adversely affected by the credit liquidity crisis. The Fund was informed of a deficiency in the fair value of the collateral held (see Note 5).

At June 30, 2016 and 2015, the Fund had equity securities with a fair value of approximately \$69.9 million and \$98.1 million, respectively, which are subject to a securities lending agreement (the "Agreement") between the Fund and JPMorgan. Under the Agreement, the securities loaned are collateralized at a minimum of 102% of the fair values of the loaned securities. Collateral consists primarily of cash and U.S. government securities or its agencies. The Fund does not have the ability to pledge or sell collateral securities without borrower default. The collateral is marked to market daily such that at the close of trading on any business day, the value of the collateral shall not be less than 102% plus accrued interest on the securities loaned. The Fund had a lending limit of 25% regarding the amount of loans made, and the custodial agent indemnified the Fund by agreeing to purchase replacement securities or return cash collateral in the event of borrower default. There were no such failures during the year. The loan premium paid by the borrower on the securities is apportioned between the Fund and its custodial agent in accordance with the Agreement.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(2) CASH AND INVESTMENTS, CONTINUED

Securities Lending, Continued

During 2016 and 2015, the Fund had net earnings of approximately \$21,000 and \$23,000, respectively, from the securities lending, which is detailed in Note 5.

As of June 30, 2016 and 2015, the Fund had no credit risk to borrowers under the securities lending.

(3) ALTERNATIVE INVESTMENTS

The Fund invests in alternative investments in the defined benefit plan. The alternative investments at June 30 are summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2016</u>	<u>2015</u>
Guggenheim Onshore Access Fund, LLC	Offers multiple series of membership interests, each of which corresponds to a single privately offered investment fund or, in certain instances, one of several strategies offered by a privately offered investment fund.	\$ 44,433,839	46,619,574

As of June 30, 2016 and 2015, the Guggenheim Onshore Access Fund, LLC had no unfunded commitments.

The Guggenheim Onshore Access Fund, LLC accounts for its investments in investment funds at fair value. The fair value of each investment is estimated using the net asset value or its equivalent as reported by the investment fund.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(4) REAL ESTATE

The Fund invests in real estate investments in the defined benefit plan, which consist of two commingled pension trust funds. The real estate investment funds at June 30 are summarized in the following table:

<u>Investment</u>	<u>Purpose</u>	<u>Fair Value</u>	
		<u>2016</u>	<u>2015</u>
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.	\$ 18,163,148	16,536,061
JPMorgan Chase Bank Special Situation Property Fund	The fund targets real estate investments that provide a moderate level of current income and high residual appreciation.	<u>12,168,192</u>	<u>10,689,209</u>
		<u>\$ 30,331,340</u>	<u>27,225,270</u>

Both of the entities account for their investments at fair value. Fair values of real estate investments are determined by JPMorgan at each valuation date. As part of JPMorgan's valuation process, independent appraisers value properties on an annual basis (at a minimum).

As of both June 30, 2016 and 2015, the Fund had no remaining commitments to fund investments.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) TRUST ADMINISTRATIVE ACCOUNT

Costs and expenses incurred in the administration and management of the Fund are paid from the Fund's assets, including investment advisor fees. These costs are paid from the Fund through transfers to the Trust Administrative Account. Any unusual administrative costs are paid by the participating municipality.

The balance in the Trust Administrative Account is not available for plan benefits, but may be used only to pay administrative expenses of the Fund. Therefore, the Trust Administrative Account balances are not included in the Fund's financial statements.

Transactions in the Trust Administrative Account for the years ended June 30 were as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ <u>750,382</u>	<u>757,944</u>
Income (expense):		
Interest and fee income	17,582	14,903
Securities lending interest income	33,611	31,867
Securities lending expenses	(12,872)	(9,041)
Participant outstanding checks	98,410	-
Fees earned and transfers from the Fund	<u>2,843,840</u>	<u>3,048,224</u>
Total income	<u>2,980,571</u>	<u>3,085,953</u>
Administrative and investment expenses:		
Actuary and recordkeeping	436,632	389,318
Administration	919,620	892,699
Legal and audit	119,401	106,054
Training and travel	37,223	52,641
Insurance	97,784	98,389
Investment advisors and consultants	1,030,524	1,280,918
Custodial	195,348	264,411
City directed expense	2,364	9,085
Participant directed fees	<u>56,821</u>	<u>-</u>
Total administrative and investment expenses	<u>2,895,717</u>	<u>3,093,515</u>
Ending balance	\$ <u><u>835,236</u></u>	<u><u>750,382</u></u>

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS, CONTINUED

(5) TRUST ADMINISTRATIVE ACCOUNT, CONTINUED

Prior to April 2009, income from the securities lending program was considered a reduction of administrative fees paid by fund participants. The security lending income was deposited in the Trust Administrative Account and was used for administration expenses per approval of the Board of Trustees.

As discussed in Note 2, the securities lending program was adversely affected by the credit liquidity crisis of 2008. As a result, certain assets held in the custodial agent's short-term investment cash collateral pool were deemed to be impaired. The Fund was informed of the deficiency in the market value of the collateral pool. The amount of the deficiency at June 30, 2016 and 2015, was approximately \$317,000 and \$327,000, respectively. Effective April 2009, the Board of Trustees discontinued allowing income from the securities lending program to be utilized as a reduction of administrative fees paid by fund participants in order to accumulate dollars for payment of the potential deficiency. Approximately \$541,000 and \$409,000 of cash had been accumulated and reserved for the potential deficiency as of June 30, 2016 and 2015, respectively. The deficiency was fully funded as of June 30, 2016 and 2015. In September 2016, the deficiency was paid.

As noted previously, administration costs are paid through the Trust Administrative Account. In addition, during the years ended June 30, 2016 and 2015, furniture, fixtures, and equipment were purchased and are part of the administration cost. Generally, such items would be capitalized and depreciated. However, as the amounts are considered immaterial in comparison to the total operations, they have been expensed.

(6) COMMITMENTS AND CONTINGENCIES

Leases

The Fund leases office space under an operating lease. The lease commenced on October 1, 2005, and was renewed effective January 1, 2013, for an additional 5-year period. Future minimum lease payments as of June 30, 2016, were as follows:

2017	\$	67,048
2018		<u>33,524</u>
	\$	<u><u>100,572</u></u>

Total rent expense for the years ended June 30, 2016 and 2015, was approximately \$81,000 and \$69,000, respective. Rent expense is paid through the Trust Administrative Account.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA MUNICIPAL RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS

<i>Last 3 Fiscal Years</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>
Annual money-weighted rate of return, net of investment expense	0.89%	2.82%	16.48%

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

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
Ada	7.70742%	\$ 22,787,011
Ada—CMO Plan	0.03319%	98,118
Afton	0.21086%	623,398
Altus	0.60333%	1,783,735
Altus—CMO Plan #2	0.00584%	17,277
Alva	0.43317%	1,280,678
Arkoma	0.07260%	214,645
Bartlesville	0.32602%	963,872
Bethany—CMO Plan	0.01380%	40,795
Bethany/Warr Acres	0.02325%	68,740
Bixby—CMO Plan	0.01803%	53,306
Blackwell	0.10803%	319,393
Broken Arrow	11.22937%	33,199,672
Burns Flat —CMO Plan	0.00467%	13,799
Cache/Cache PWA	0.03599%	106,399
Caddo and Caddo PWA	0.02512%	74,276
Caney	0.01853%	54,778
Carmen and CPWA	0.01912%	56,516
Cashion	0.07269%	214,911
Catoosa—CMO Plan	0.02610%	77,165
Central Oklahoma MCD—CMO Plan	0.14066%	415,875
Chandler—CMO Plan	0.03424%	101,241
Chattanooga	0.00934%	27,628
Chelsea	0.08387%	247,949
Choctaw	0.67337%	1,990,821
Chouteau	0.11789%	348,532
Claremore Special Incentive—CMO Plan	0.01040%	30,749
Cleveland—CMO Plan	0.01808%	53,444
Cleveland Special Incentive—CMO Plan	0.01124%	33,227
Clinton	0.71667%	2,118,851
Clinton—CMO Plan	0.00316%	9,333

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value	Market
	Ownership	Value
	Percentage	Ownership
Coalgate	0.21964%	649,353
Collinsville—CMO Plan	0.11087%	327,782
Collinsville—COP Plan	0.01730%	51,139
Collinsville Special Incentive—CMO Plan	0.01189%	35,159
Comanche—CMO Plan	0.03474%	102,706
Cordell CMO	0.00452%	13,349
Covington	0.03589%	106,095
Coweta	0.58118%	1,718,268
Coweta—CMO Plan	0.16426%	485,625
Coweta Special Incentive—CMO Plan	0.01221%	36,095
Crescent	0.07737%	228,730
Crescent—CMO Plan	0.02726%	80,609
Cushing—CMO Plan	0.00638%	18,864
Custer City	0.06443%	190,497
Davis—CMO Plan	0.00351%	10,376
Dewey—CMO Plan	0.02456%	72,620
Dover PWA	0.00508%	15,009
Drumright	0.17225%	509,254
Drumright—CMO Plan	0.00588%	17,392
Duncan	0.01981%	58,566
Durant	1.32761%	3,925,076
Eakly	0.02847%	84,179
East Duke and DMA	0.00325%	9,614
El Reno—CMO Plan	0.04887%	144,486
Eldorado	0.00465%	13,733
Elgin	0.08214%	242,854
Eufaula—CMO Plan	0.00427%	12,615
Fairview	0.33393%	987,271
Fairview—CMO Plan	0.04952%	146,404
Fletcher	0.00728%	21,512
Fort Gibson	0.28359%	838,444

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value	Market
	Ownership	Value
	Percentage	Ownership
Frederick—CMO Plan	0.00037%	1,093
Gage	0.01060%	31,351
Glencoe and GPWA	0.00795%	23,501
Glenpool	0.21696%	641,457
Glenpool—CMO Plan	0.03563%	105,329
Goldsby	0.20001%	591,329
Goltry and GPWA	0.01563%	46,197
Goodwell	0.00001%	19
Guthrie—CMO Plan	0.03461%	102,334
Guymon	1.09608%	3,240,554
Guymon—CMO DH Plan	0.21994%	650,264
Guymon—CMO Plan	0.03138%	92,769
Harrah	0.09319%	275,530
Harrah—CMO Plan	0.03452%	102,071
Hartshorne	0.14872%	439,685
Haskell	0.22871%	676,187
Haskell Special Incentive—CMO Plan	0.00744%	21,998
Healdton—CMO Plan	0.00463%	13,675
Helena	0.05209%	154,011
Hennessey	0.07640%	225,869
Henryetta—CMO Plan	0.01123%	33,213
Hobart	0.30716%	908,126
Hollis	0.13948%	412,371
Hominy	0.28525%	843,351
Hominy—CMO Plan	0.01717%	50,761
Jay	0.25290%	747,687
Jones City and Jones PWA	0.03828%	113,166
Konawa and Konawa PWA	0.01686%	49,857
Lahoma	0.02145%	63,416
Lindsay and LPWA—CMO Plan	0.01991%	58,858
Lone Grove	0.20702%	612,053

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value	Market
	Ownership	Value
	Percentage	Ownership
Lone Grove—CMO Plan	0.01464%	43,292
Mangum Utilities—CMO Plan	0.12707%	375,688
Mannford—CMO CM Plan	0.10766%	318,300
Mannford—CMO DH Plan	0.13079%	386,679
Mannford Special Incentive—CMO Plan	0.01427%	42,200
Mannsville	0.01304%	38,558
Marlow	0.61789%	1,826,802
Marlow—CMO Plan	0.02866%	84,739
Maysville	0.02447%	72,343
McAlester	0.18867%	557,800
Miami—CMO Plan	0.00907%	26,801
Midwest City	12.91086%	38,171,003
Mooreland—CMO Plan	0.02320%	68,594
Morris and Morris PWA	0.01372%	40,566
Mounds	0.01619%	47,857
Muskogee	6.94717%	20,539,320
Muskogee—CMO Plan	0.04816%	142,376
Newcastle—CMO Plan	0.03074%	90,875
Newkirk	0.04928%	145,708
Newkirk—CMO Plan	0.00934%	27,624
Nicoma Park	0.13223%	390,935
Noble—CMO Plan	0.04537%	134,142
Oakland	0.00883%	26,109
OK Mun Assurance Group	1.98472%	5,867,844
OK Mun Utility Service Authority	0.15438%	456,429
Okeene—CMO Plan	0.00066%	1,953
Okemah—CMO Plan	0.00129%	3,800
OkMRF—CMO Plan	0.22628%	669,008
Okmulgee	0.89345%	2,641,497
Okmulgee—CMO Plan	0.01238%	36,615
OMAG—CEO Plan	0.00584%	17,257

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value Ownership Percentage	Market Value Ownership
OMAG—CMO Plan	0.22497%	665,128
OMUSA—CMO Plan	0.02307%	68,211
Owasso	1.42663%	4,217,848
Pauls Valley	0.35662%	1,054,361
Pauls Valley—CMO Plan	0.05810%	171,780
Pawhuska	0.40414%	1,194,840
Perkins—CMO Plan	0.04527%	133,832
Piedmont	0.15914%	470,509
Piedmont—CMO Plan	0.00924%	27,318
Pocola	0.06017%	177,889
Porum	0.16838%	497,827
Prague	0.22813%	674,464
Prague—CMO Plan	0.01840%	54,395
Prairie Point at Stroud	0.00153%	4,511
Ringwood	0.00546%	16,129
Roff and Roff PWA	0.00185%	5,483
Sand Springs	3.84702%	11,373,732
Sand Springs—CMO Plan	0.02357%	69,670
Sapulpa	1.01109%	2,989,279
Sapulpa Basic—CMO Plan	0.11791%	348,612
Sapulpa Special Incentive—CMO Plan	0.03657%	108,133
Savanna	0.01143%	33,793
Sayre	0.24431%	722,304
Sayre—CMO Plan	0.06746%	199,450
Seiling	0.05270%	155,805
Seiling—CMO Plan	0.00579%	17,111
Seminole	0.86463%	2,556,276
Seminole—CMO Plan	0.14007%	414,106
Shawnee	1.02225%	3,022,272
Shawnee—CMO DH Plan	0.43781%	1,294,378
Shawnee Special Incentive—CMO Plan	0.03292%	97,336

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value	Market
	Ownership	Value
	Percentage	Ownership
Shawnee New Hires 7/13	0.08974%	265,303
Skiatook	1.19088%	3,520,843
Skiatook—CMO Plan	0.09311%	275,271
Slaughterville	0.02516%	74,398
Stillwater	13.60947%	40,236,429
Stillwater—CMO Plan	0.10096%	298,475
Stillwater Medical Center	13.85131%	40,951,440
Stillwater Medical Center—CMO Plan	0.00692%	20,472
Stringtown	0.08471%	250,435
Stroud	0.21273%	628,938
Stroud—CMO Plan	0.04079%	120,582
Sulphur—CMO Plan	0.00620%	18,331
Tecumseh	0.40353%	1,193,051
Tecumseh—CMO Plan	0.02738%	80,938
Terral	0.00464%	13,711
Texhoma and PWA	0.18975%	561,003
Thackerville	0.00484%	14,322
Tishomingo	0.03317%	98,063
Tishomingo—CMO Plan	0.04407%	130,294
Tonkawa—CMO Plan	0.01049%	31,003
Tyrone and TPWA	0.00155%	4,596
Union City	0.00246%	7,286
Valley Brook	0.08618%	254,796
Valley Brook New Hires 11/14	0.00251%	7,412
Verdigris	0.02664%	78,764
Warner	0.06729%	198,949
Warr Acres	0.37187%	1,099,424
Waurika—CMO Plan	0.00192%	5,681
Waynoka	0.15427%	456,114
Waynoka—CMO Plan	0.01403%	41,481
Weatherford	1.76838%	5,228,228

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

OTHER SUPPLEMENTARY INFORMATION—ANALYSIS OF FUND OWNERSHIP FOR DEFINED CONTRIBUTION PLANS

June 30, 2016

City	Unit	
	Market Value	Market
	Ownership	Value
	Percentage	Ownership
Weleetka	0.01209%	35,732
West Siloam Springs and WSSMTA	0.06064%	179,277
Westville	0.00045%	1,342
Woodward	0.72896%	2,155,162
Woodward—CMO Plan	0.13246%	391,613
Yale—CMO Plan	0.00834%	24,664
Yukon—CMO Plan	0.10428%	308,304
Yukon New Hires 7/14	<u>0.11864%</u>	<u>350,750</u>
	<u>100.00000%</u>	<u>295,650,265</u>

This schedule presents the ownership allocation by municipality/agency of the net position restricted for plan benefits as of June 30, 2016.

See Independent Auditors' Report.

OKLAHOMA MUNICIPAL RETIREMENT FUND

**REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARD***



**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
Oklahoma Municipal Retirement Fund

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 Municipal Retirement Fund (the "Fund"), which comprise the statements of fiduciary net position (Defined Benefit and Defined Contribution Plans) as of June 30, 2016, and the related statements 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 December 16, 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 Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

(Continued)

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
December 16, 2016