Quartz Mountain Arts And Conference Center And Nature Park

Financial Statements

and

Independent Auditor's Report

June 30, 2015 and 2014

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CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of the Quartz Mountain Arts
And Conference Center and Nature Park

We have audited the accompanying financial statements of the Quartz Mountain Arts and Conference Center and Nature Park (the "Center"), as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note F to the financial statements, the Center adopted the provisions of Governmental Accounting Standards Board Statement No. 68 as amended by Statement No. 71 and has recognized a net pension liability and related deferred outflows and inflows.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 13 and the schedules of proportionate share of the net pension liability and contributions on pages 42 to 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015 on our consideration of the Center'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 Center's internal control over financial reporting and compliance.

Tulsa, Oklahoma
October 8, 2015

Stanfield & O'Dell P.C.

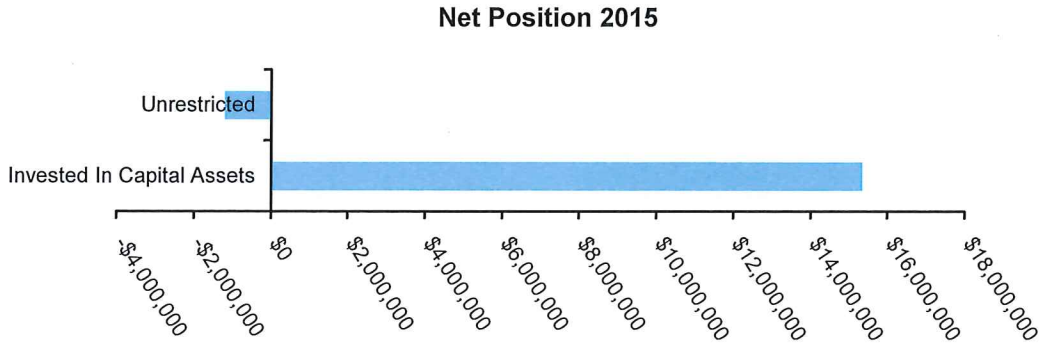
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

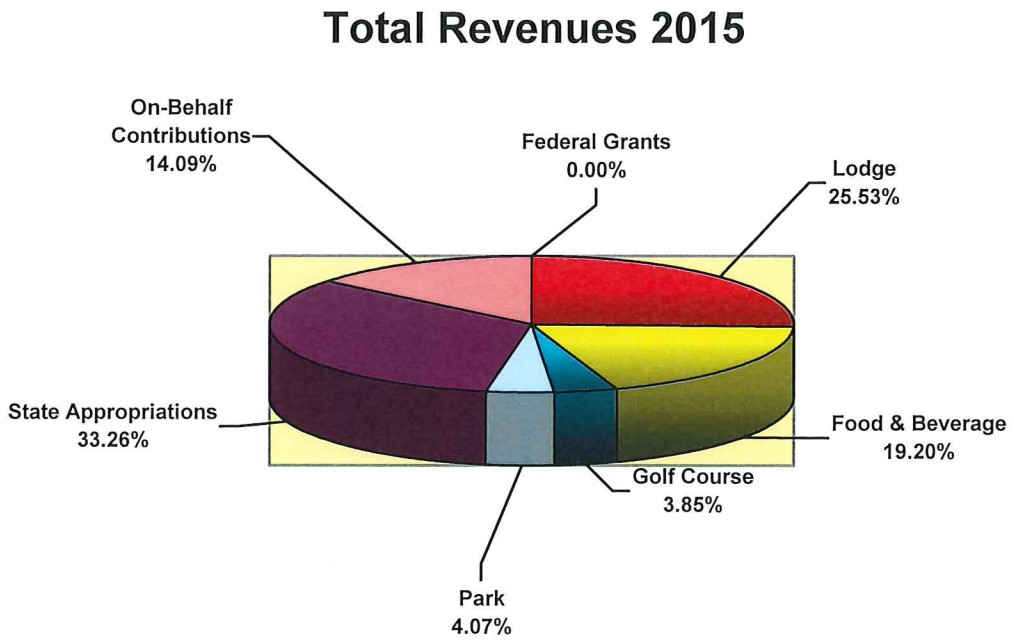
The discussion and analysis of Quartz Mountain Arts and Conference Center and Nature Park's (the "Center") financial statements provides an overview of the Center's financial activities for the year ended June 30, 2015. Since this management's discussion and analysis is designed to focus on current activities, resulting changes, and current known facts, please read it in conjunction with the Center's basic financial statements and the footnotes.

Financial Highlights

At June 30, 2015, the Center's net position is $14.2 million. Of this - $1,199,374 is considered in the unrestricted category. The 2014 change in net position includes the effect of recognizing pension liabilities as discussed in Note F. Graphically displayed, the net position by category for the fiscal year is shown below:



The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2015.



In the fiscal year ended June 30, 2015, Quartz Mountain Arts and Conference Center and Nature Park revenues exceeded expenses, creating an increase in net position of $50,459 representing less than 1% increase in net position.

Using This Annual Report

The annual report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the Center as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Center's operating results.

These two statements report the Center's net position and changes in net position. The Center's net position - the difference between assets and liabilities - are a measurement of the Center's financial health, or financial position. Over time, increases or decreases in the Center's net position are an indicator of whether its financial health is improving or deteriorating. Numerous other non-financial factors, such as the quality of recreational services provided, the preservation of natural resources, and the condition and safety of the facilities are important in assessing the overall health of the Center.

These statements include assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The third statement, the statement of cash flows, presents detailed information about the cash activity of the Center during the year. The statement is divided into four parts. The first part presents operating cash flows and shows the net cash used by the operating activities of the Center. The second section reflects cash flows from non-capital items. The third section reflects cash flows from capital and related financing activities. The fourth section reconciles the net cash provided or used to the operating income or loss reflected on the statement of revenues, expenses, and changes in net position. The statement provides information regarding the entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its needs for external funding.

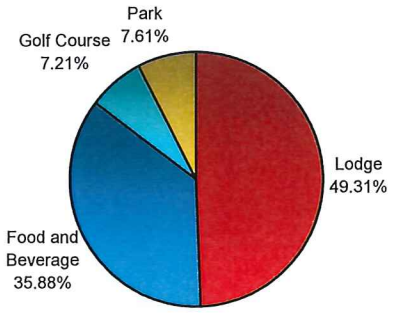
The following is a table of the Center's Statement of Net Position for the years ended June 30, 2015, 2014 and 2013:

Statement of Net Position, End of Year
June 30

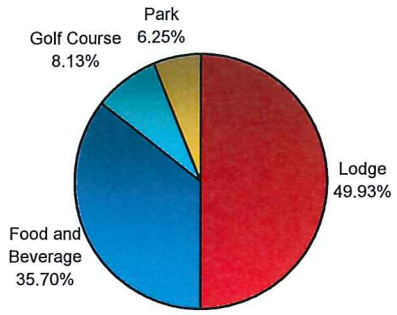
	2015	2014	2013
Current Assets	$ 857,839	$ 629,832	$ 641,713
Noncurrent Assents			
Restricted cash and cash equivalents	2,176	0	0
Deferred cost on OCIA Lease Restructure	33,926	67,851	101,776
Deferred amount related to pension	124,974	0	0
Capital Assets, Net of Depreciation	17,883,775	18,435,353	19,112,672
Total Assets and Deferred Outflows of Resources	18,902,690	19,133,036	19,856,161
Current Liabilities	787,768	662,170	1,202,433
Noncurrent Liabilities	3,301,188	2,748,858	2,834,588
Total Liabilities	4,088,956	3,411,028	4,037,021
Net Position			
Investment in Capital Assets	15,352,617	15,294,476	15,862,533
Unrestricted Net Position	-1,199,374	379,713	-43,413
Total Net Position	14,153,243	15,674,189	15,819,120

Operating revenues and expenses for the fiscal years ended June 30, 2015, 2014 and 2013:

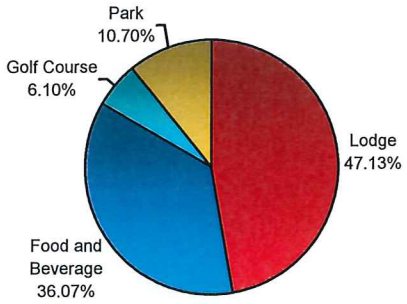
Operating Revenues 2015



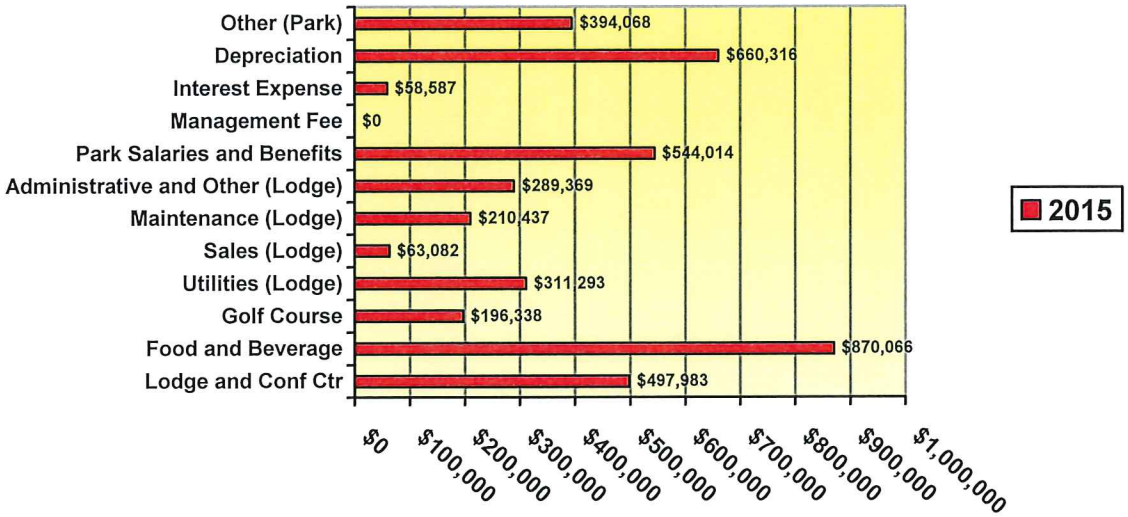
Operating Revenues 2014



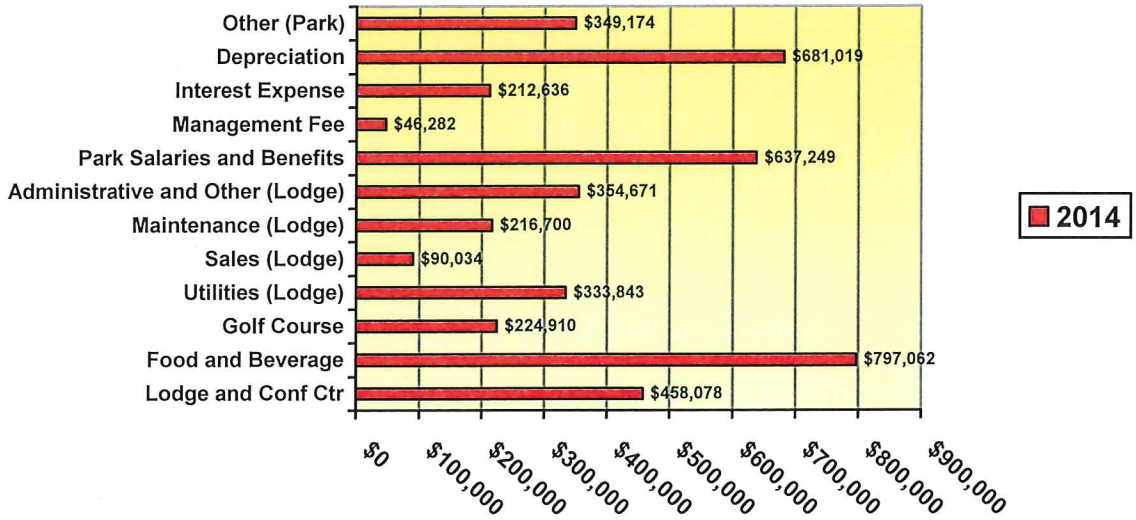
Operating Revenues 2013



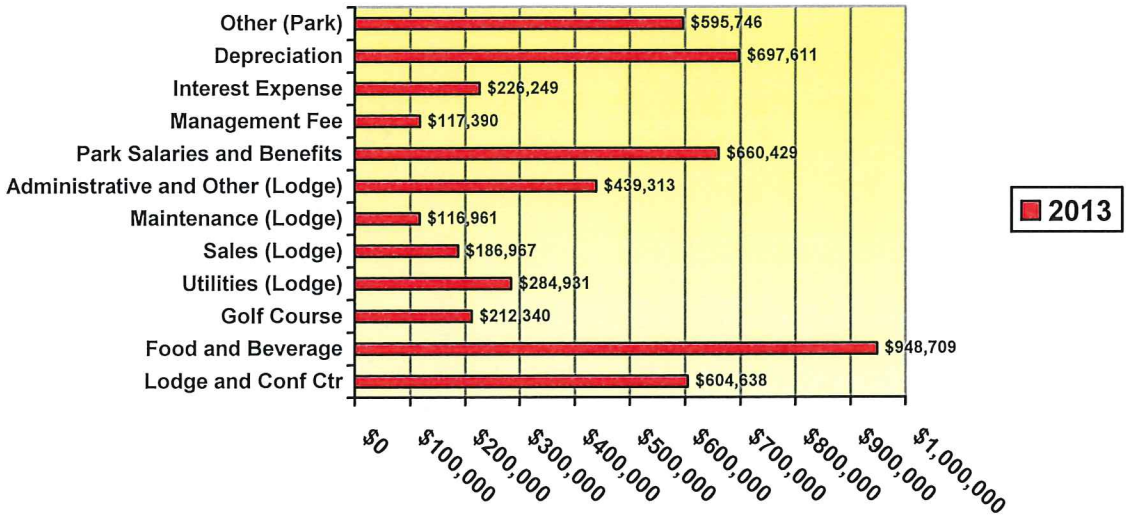
Operating Expenses



Operating Expenses



Operating Expenses



Operating Results for the Years Ended
June 30

	2015	2014	2013
Operating Revenues			
Lodge and Conference Center	$ 1,087,563	$ 1,158,714	$ 1,299,452
Food and beverage	791,376	828,510	994,597
Golf course and pro shop	158,927	188,665	168,058
Park and other revenue	167,744	144,995	294,949
Total	2,205,610	2,320,884	2,757,056
Less Operating Expenses	4,036,966	4,189,022	4,865,035
Net Operating Loss	(1,831,356)	(1,868,138)	(2,107,979)
Non Operating Revenue (Expense)			
State Appropriations	1,371,219	1,571,220	1,121,219
On-behalf Contributions	580,721	340,697	491,483
Capital Contribution	-	-	-
Federal Grants	-	23,906	94,094
Interest Expense	(58,587)	(212,636)	(226,249)
Gain (loss) on disposal of assets	(11,538)	-	-
Total non operating revenue	1,881,815	1,723,187	1,480,547
Increase (Decrease) in Net Position	50,459	(144,951)	(627,432)
Net Position, Beginning of Year	14,102,784	15,819,140	16,446,572
Net Position, End of Year	$ 14,153,243	$ 15,674,189	$ 15,819,140

For the year ended June 30, 2015, the Center's revenues exceeded expenses creating an increase in net position of $50,459. June 30, 2014 and June 30, 2013, the Center's expenses exceeded revenues, creating a decrease in net position of $144,951 and $627,432 respectively.

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due and its needs for external financing.

Below is at condensed look at the statement of cash flows for fiscal years 2015, 2014 and 2013.

	Cash Flows for the Years Ended June 30		
	2015	**2014**	**2013**
Cash Provided (used) by:			
Operating activities	$ (1,110,657)	$ (1,579,808)	$ (1,410,606)
Noncapital financing activities	1,371,219	1,571,220	1,121,219
Capital and related financing activities	(17,726)	20,206	(36,104)
Net increase (decrease) in cash	242,836	11,618	(325,491)
Cash, beginning of the year	473,493	461,875	787,366
Cash, end of the year	$ 716,329	$ 473,493	$ 461,875

Fiscal year 2015, the Center's liquidity increased by 51.3% as compared to a modest increase of 2.5% in 2014 and a 41.3% decrease in 2013.

Description of Capital Assets and Long-Term Debt Activity

At June 30, 2015, the Center had $17.9 million invested in capital assets, net of accumulated depreciation of $10.2 million. Net depreciation charges totaled $510,316 for the year ended June 30, 2015. Details of these assets are shown below for the years ended June 30, 2015, 2014 and 2013:

	June 30		
	2015	**2014**	**2013**
Land	$ 278,393	$ 278,393	$ 278,393
Infrastructure	2,013,280	2,071,665	2,130,051
Land Improvements	2,219,462	2,382,913	2,546,530
Buildings	13,191,638	13,578,065	13,964,493
Equipment	181,002	124,317	193,205
Construction in Progress	-	-	-
Totals	$ 17,883,775	$ 18,435,353	$ 19,112,672

Planned capital expenditures for the fiscal year ending June 2015 were very few. There was an investment of $105,300 in 35 golf carts for the golf course. These were used to replace 50 retired carts that had become obsolete. Planned capital expenditures for FY 2016 will consist of addressing the failing timber structures at the Lodge and pedestrian bridge. This project is planned at approximately $750,000.

At June 30, 2015, the Center had $2.53 million in debt outstanding. The table below summarizes the outstanding debt by type for the years ended June 30, 2015, 2014 and 2013.

	Outstanding Debt June 30		
	2015	**2014**	**2013**
OCIA Capital Lease - Series 2004A	$ -	$ 1,413,522	$ 1,446,612
OCIA Capital Lease - Series 2005F	91,796	179,033	1,088,586
OCIA Capital Lease - Series 2010A	442,216	442,216	442,216
OCIA Capital Lease - Series 2010B	102,218	244,372	244,372
OCIA Capital Lease - Series 2014A	861,734	861,734	-
OCIA Capital Lease - Series 2014B	930,644	-	-
Master Lease - ODFA	-	-	28,333
Golf Cart Lease	102,550	-	-
	$ 2,531,158	$ 3,140,877	$ 3,250,119

More detailed information about the Center's outstanding debt is presented in Note E of the financial statements.

Economic Factors That Will Affect the Future

The Center has benefited and continues to benefit from the termination of a long standing management agreement with Interstate Hotels & Resorts, Inc., in terms of cost and expense controls and staffing efficiencies.

In general, the past trend of declining revenues seems to have stabilized and above average spring rainfall has temporarily abated the extreme drought conditions and low lake levels that have negatively impacted Center revenues for the past five to six years. The Center is optimistic that current lake levels and continued adequate and seasonal rainfall will position the Center for improved revenues.

The Center has been fortunate to receive supplemental funding from the Oklahoma State Regents for Higher Education (OSRHE) for the past two fiscal years, and again for FY 2016 in the amount of $200,000.00. The funding is intended to assist the Center in maintaining the fiscal viability of the Center. Even with the additional assistance from the OSRHE, the Center continues to suffer from the 2007 state appropriation reduction of over twenty-five (25) percent or $398,546. As a result of the reduction, major maintenance has been deferred. Given the current potential for increased revenue, the Center has secured funding for major repairs to the Center through the Regents Real Property Master Lease Program. The project will address the failing timber structures at the Lodge and pedestrian bridge. The project budget is approximately $750,000. The Center will continue to work for the restoration of the 2007

appropriation reduction while realizing the importance of revenue growth for the continued viability of the Center.

The State of Oklahoma is currently experiencing a revenue shortfall due to the decline in oil and gas production, and as a result, the Center is bracing for a challenging state budgeting process. We realize that there is a strong possibility of a reduction in the Center's FY 2017 appropriation. The Center realizes how critical it is to continue to monitor resources and expenditures very closely, emphasizing efficiency in all of our operational decisions.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Quartz Mountain Arts and Conference Center and Nature Park Director's office at 43393 Scissortail Road, Lone Wolf, Oklahoma 73655.

Quartz Mountain Arts and Conference Center and Nature Park

Statements of Net Position

June 30,

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	$ 714,153	$ 473,493
Accounts receivable	123,209	134,170
Inventory	20,477	22,169
Total current assets	857,839	629,832
Noncurrent assets		
Restricted cash and cash equivalents	2,176	-
Capital assets, net	17,883,775	18,435,353
Total noncurrent assets	17,885,951	18,435,353
Total assets	18,743,790	19,065,185
Deferred outflows of resources		
Deferred cost on OCIA lease restructure, net of accumulated amortization of $169,626 and $135,701	33,926	67,851
Deferred amount related to pension	124,974	-
Total deferred outflows of resources	158,900	67,851
Total assets and deferred outflows of resources	$ 18,902,690	$ 19,133,036

The accompanying notes are an integral part of these financial statements.

Quartz Mountain Arts and Conference Center and Nature Park

Statements of Net Position

June 30,

	2015	2014
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 189,072	$ 140,621
Accrued payroll	38,514	31,359
Advanced deposits	21,138	30,664
Deposits held in custody for others	35,633	-
Compensated absences	28,095	21,602
Current portion of long-term debt	475,316	437,924
Total current liabilities	787,768	662,170
Noncurrent liabilities		
Net pension liability	1,185,644	-
Compensated absences	59,702	45,905
Capital leases	2,055,842	2,702,953
Total noncurrent liabilities	3,301,188	2,748,858
Total liabilities	4,088,956	3,411,028
Deferred Inflows of Resources		
Lease premiums	280,555	47,819
Deferred amount related to pension	379,936	-
Total deferred inflows of resources	660,491	47,819
Net Position		
Invested in capital assets, net of related debt	15,352,617	15,294,476
Unrestricted net position	(1,199,374)	379,713
Total net position	14,153,243	15,674,189
Total liabilities and net position	$ 18,902,690	$ 19,133,036

The accompanying notes are an integral part of these financial statements.

Quartz Mountain Arts and Conference Center and Nature Park

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30,

	2015	2014
Operating revenues		
Lodge and conference center rental	$ 1,052,684	$ 1,141,089
Food and beverage	791,376	828,510
Golf course and pro shop	158,927	188,665
Other lodge and conference center revenue	34,879	17,625
Park revenue	167,744	144,995
Total operating revenue	2,205,610	2,320,884
Operating expenses		
Lodge and conference center expenses	497,983	458,078
Food and beverage	870,066	797,062
Golf course and pro shop	196,338	224,910
Utilities - lodge and conference center	311,293	333,843
Sales - lodge and conference center	63,082	90,034
Maintenance - lodge and conference center	210,437	216,700
Administrative and other - lodge and conference center	289,369	354,671
Park and administration salaries and benefits	544,014	637,249
Management fee	-	46,282
Depreciation	660,316	681,019
Other park operating expenses	394,068	349,174
Total operating expenses	4,036,966	4,189,022
Net operating loss	(1,831,356)	(1,868,138)
Nonoperating revenues (expenses)		
State appropriations	1,371,219	1,571,220
On-behalf debt payments - capital leases	503,594	277,011
On-behalf pension contributions	77,127	63,686
Federal grants and contracts	-	23,906
Loss on disposal of capital assets	(11,538)	-
Interest expense	(58,587)	(212,636)
Net nonoperating revenues	1,881,815	1,723,187
Increase (decrease) in net position	50,459	(144,951)
Net position, beginning of year (as restated, see Note F)	14,102,784	15,819,140
Net position, end of year	$ 14,153,243	$ 15,674,189

The accompanying notes are an integral part of these financial statements.

Quartz Mountain Arts and Conference Center and Nature Park

Statements of Cash Flows

Years ended June 30,

	2015	2014
Cash flows from operating activities		
Cash received from customers	$ 2,242,678	$ 2,303,595
Cash paid to vendors and suppliers	(1,430,239)	(2,347,693)
Cash paid to employees for services	(1,923,096)	(1,535,710)
Net cash used in operating activities	(1,110,657)	(1,579,808)
Cash flows from noncapital financing activities		
State appropriations	1,371,219	1,571,220
Net cash provided by noncapital financing activities	1,371,219	1,571,220
Cash flows from capital and related financing activities		
Payment for acquisition of capital assets	(14,976)	(3,700)
Payments on capital leases	(2,750)	-
Federal grants and contracts	-	23,906
Net cash provided by (used in) capital and related financing activities	(17,726)	20,206
Net increase in cash	242,836	11,618
Cash and cash equivalents, beginning of year	473,493	461,875
Cash and cash equivalents, end of year	$ 716,329	$ 473,493
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (1,831,356)	$ (1,868,138)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	660,316	681,019
On-behalf pension contribution	77,127	63,686
Changes in assets and liabilities		
Accounts receivable	10,961	(9,932)
Inventory	1,692	15,002
Prepaid expense	-	18,428
Deferred contributions	(124,974)	-
Accounts payable and accrued expenses	111,529	(359,873)
Advances	(9,526)	(120,000)
Deferred inflows related to pension	(6,426)	-
Net cash used in operating activities	$ (1,110,657)	$ (1,579,808)

The accompanying notes are an integral part of these financial statements.

Note A - Summary of Significant Accounting Policies

The basic financial statements of Quartz Mountain Arts and Conference Center and Nature Park (the "Center") have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of significant accounting policies follows:

Reporting Entity

The Center, located in southwestern Oklahoma near Altus, is an integral part of the Oklahoma State System of Higher Education, operating under the jurisdiction of the Quartz Mountain Center Board of Trustees (the "Board") and the Oklahoma State Regents for Higher Education (the "Regents"). The Center is a component unit of the State of Oklahoma. The Center's mission is to develop, sustain, and protect a world-renowned education destination as a cultural conference center, arts park and natural preserve with recreational experiences compatible with that environment.

The Center, in its current legal form, was created by Senate Bill 567, effective January 1, 2002. This legislation transferred the Center's real property, buildings, personnel and many contractual obligations from the Oklahoma Tourism and Recreation Department to the Board.

The three main operational components are the lodge and an arts conference center (the "Lodge"), the golf course, and the nature park. The Lodge and the golf course operate under a management agreement dated March 1, 2009 with Interstate Hotels, Inc. ("Interstate"). Under the terms of the management agreement, Interstate is responsible for managing the daily operations of the Lodge and golf course, including revenue collection, payment of operating expenses, and oversight of Lodge and golf course employees. The Board is obligated to pay Interstate a base monthly management fee of 5 percent of the gross operating revenues generated by the Lodge and the golf course and to provide Interstate the necessary funds to pay the operating costs of the Lodge and golf course. During the year ended June 30, 2014 and 2013, the Center paid Interstate management fees totaling approximately $62,000 and $123,000, respectively. The agreement with Interstate was terminated in October 2013.

The Oklahoma Arts Institute ("OAI") has been, and continues to be, one of the Center's primary customers. The OAI conducts the Oklahoma Summer Arts Institute, an institute for gifted and talented fine arts high school students, and the Oklahoma Fall Arts Institute, an institute for teachers and adult artists, at the Center's facilities. In 1987, the OAI and Oklahoma Tourism and Recreation Department agreed on a 20 year partnership for the joint development of the Center as an arts and conference facility. In the spring of 2002, the Board approved a new 50 year agreement similar to the prior agreement the OAI had with the Oklahoma Tourism and Recreation Department. This agreement continues the joint development of the Center as a cultural conference center and arts park and natural area preserve for Oklahoma, and formalizes the ongoing relationship between the OAI and the Board.

Note A - Summary of Significant Accounting Policies - Continued

Reporting Entity - Continued

Under the terms of the agreement, OAI has an option to lease, for its exclusive use, at its sole discretion and at a predetermined rate, the Center's facilities for a consecutive period of not more than six weeks in June or July of each year, and for up to five days (Wednesday through Sunday) in not more than four of the twelve weeks during the months of September, October and November of each year. OAI must exercise its option to lease for all, or part, of the agreed periods by January 1 of the calendar year.

Note B - Basis of Presentation

1. Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the liability is incurred. The Center has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

2. Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

The Center considers all demand deposit accounts and investments with original maturities of three months or less to be cash equivalents.

4. Inventories

Consisting primarily of Center food and beverages and the golf pro shop, inventories are stated at the lower of cost (first-in, first-out) or market.

5. Capital Assets

Capital assets are stated at historical cost or estimated historical cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful life of buildings and infrastructure has been estimated at 50 years, land improvements at 25 years, and equipment at 7 years. Maintenance and repairs are charged to operations. The Center's policy is to capitalize purchases in excess of $500 with an estimated useful life of greater than one year.

Note B - Basis of Presentation - Continued

5. Capital Assets - Continued

Amortization expense related to assets under capital leases is included with depreciation expense. Land acquired prior to 1950 has been recorded at the estimated historical cost or estimated fair market value at the time of donation, based on land transaction documents for similar property transactions from the estimated time period the land was acquired. The estimates of historical costs of buildings constructed prior to 1995 were based on appraised value indexed to the date of acquisition.

6. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. State employees accrue 15 to 25 days of annual vacation per year, based on length of service. Unused annual leave may be accumulated to a maximum of 480 hours. All accrued leave is payable upon termination, resignation, retirement, or death.

7. Accounts Receivable

Management considers all receivables as of June 30, 2015 and 2014 to be fully collectible; therefore, no allowance for doubtful accounts has been established. Receivables consist primarily of amounts due from the Oklahoma Arts Institute.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS), the Oklahoma Law Enforcement Retirement Plan (OLERS), and the Oklahoma Public Employment Retirement Plan (OPERS), and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Net pension liability and plan deferrals are recognized as of the measurement date. Payments from the measurement date to the date of the statement of net position are reported as deferred outflows.

9. Net Position

Equity is classified as net position and displayed in three components:

a. *Invested in capital assets, net of related debt* - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those assets.

Note B - Basis of Presentation - Continued

9. Net Position - Continued

b. Restricted net position - consists of net position with constraints placed on the use either by external groups, laws or enabling legislation. The Center has no restricted net position.

c. Unrestricted net position - all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Center has a deficit in unrestricted net position as a result of the adoption of the pension reporting standard which decreased unrestricted net assets by $1,571,405. See Note F.

10. Income Taxes

As a political subdivision of the State of Oklahoma, the Center is exempt from federal income taxes pursuant to Section 115(1) of the Internal Revenue Code, as amended. However, the Center may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511 (a)(2)(B).

Note C - Cash

A summary of cash and cash equivalents shown in the statement of net position is as follows:

	June 30	
	2015	2014
Deposits with the State Treasurer	$ 708,819	$ 466,093
U.S. financial institutions	-	-
Petty cash and change funds	7,510	7,400
Total cash and cash equivalents	$ 716,329	$ 473,493

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned or the Center will not be able to recover collateral securities that are in the possession of an outside party.

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The Center's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

Note D - Capital Assets

A summary of property, plant, and equipment activity for fiscal 2015 is as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets, not being depreciated:					
Land	$ 278,393	$ -	$ -	$ -	$ 278,393
Total capital assets, not being depreciated	278,393	-	-	-	278,393
Capital assets, being depreciated:					
Buildings	19,580,684	-	-	-	19,580,684
Equipment	1,257,609	120,276	-	(161,538)	1,216,347
Infrastructure	2,919,266	-	-	-	2,919,266
Land improvements	4,100,344	-	-	-	4,100,344
Total capital assets, being depreciated	27,857,903	120,276	-	(161,538)	27,816,641
Total capital assets	28,136,296	120,276	-	(161,538)	28,095,034
Less accumulated depreciation for:					
Buildings	(6,002,619)	(386,427)	-	-	(6,389,046)
Equipment	(1,133,292)	(52,053)	-	150,000	(1,035,345)
Infrastructure	(847,601)	(58,385)	-	-	(905,986)
Land improvements	(1,717,431)	(163,451)	-	-	(1,880,882)
Total accumulated depreciation	(9,700,943)	(660,316)	-	150,000	(10,211,259)
Capital assets, net	$ 18,435,353	$ (540,040)	$ -	$ (11,538)	$ 17,883,775

Note D - Capital Assets - Continued

A summary of property, plant, and equipment activity for fiscal 2014 is as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets, not being depreciated:					
Land	$ 278,393	$ -	$ -	$ -	$ 278,393
Total capital assets, not being depreciated	278,393	-	-	-	278,393
Capital assets, being depreciated:					
Buildings	19,580,684	-	-	-	19,580,684
Equipment	1,253,909	3,700	-	-	1,257,609
Infrastructure	2,919,266	-	-	-	2,919,266
Land improvements	4,100,344	-	-	-	4,100,344
Total capital assets, being depreciated	27,854,203	3,700	-	-	27,857,903
Total capital assets	28,132,596	3,700	-	-	28,136,296
Less accumulated depreciation for:					
Buildings	(5,616,191)	(386,428)	-	-	(6,002,619)
Equipment	(1,060,704)	(72,588)	-	-	(1,133,292)
Infrastructure	(789,215)	(58,386)	-	-	(847,601)
Land improvements	(1,553,814)	(163,617)	-	-	(1,717,431)
Total accumulated depreciation	(9,019,924)	(681,019)	-	-	(9,700,943)
Capital assets, net	$ 19,112,672	$ (677,319)	$ -	$ -	$ 18,435,353

Note E - Long Term Liabilities

Long-term liabilities consist of capital leases and compensated absences. Activity for the years ended June 30, 2015 and 2014 are as follows:

	Year Ended June 30, 2015				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2004A	$ 1,413,522	$ (1,413,522)	$ -	$ -	$ -
Capital lease - OCIA 2005F	179,033	-	(87,237)	91,796	91,795
Capital lease - OCIA 2010A	442,216	-	-	442,216	43,557
Capital lease - OCIA 2010B	244,372	-	(142,154)	102,218	102,217
Capital lease - OCIA 2014A	861,734	-	-	861,734	-
Capital lease - OCIA 2014B	-	1,128,761	(198,117)	930,644	220,914
Golf Cart Lease	-	105,300	(2,750)	102,550	16,833
Total	3,140,877	(179,461)	(430,258)	2,531,158	475,316
Compensated absences	67,507	62,678	(42,388)	87,797	28,095
Total long-term liabilities	$ 3,208,384	$ (116,783)	$ (472,646)	$ 2,618,955	$ 503,411

	Year Ended June 30, 2014				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2004A	$ 1,446,612	$ -	$ (33,090)	$ 1,413,522	$ 208,531
Capital lease - OCIA 2005F	1,088,586	(909,553)	-	179,033	87,237
Capital lease - OCIA 2010A	442,216	-	-	442,216	-
Capital lease - OCIA 2010B	244,372	-	-	244,372	142,156
Capital lease - OCIA 2014A	-	861,734	-	861,734	-
Master lease - ODFA	28,333	-	(28,333)	-	-
Total	3,250,119	(47,819)	(61,423)	3,140,877	437,924
Compensated absences	72,148	25,963	(30,604)	67,507	21,602
Total long-term liabilities	$ 3,322,267	$ (21,856)	$ (92,027)	$ 3,208,384	$ 459,526

Note E - Long Term Liabilities - Continued

In December 1995, the Oklahoma Capital Improvement Authority ("OCIA") issued State Agency Facility Revenue Bonds, Series 1995B. OCIA allocated $12,545,000 of the bond issue to the Oklahoma Tourism and Recreation Department (the "Department") for the purpose of providing recreational facilities or repairing, refurbishing, and improving existing recreational facilities. In return, the Department signed a lease agreement with OCIA to make specified monthly payments over 15 years. The Department's Quartz Mountain facility was responsible for paying approximately 29.65 percent of the total monthly payments. In 2003, OCIA refinanced years 2007-2011 of these Facility Revenue Bonds with Series 2003E.

In September 1999, OCIA issued State Facilities Revenue Bonds, Series 1999A. OCIA allocated $3,500,000 of the bond issue to the Department for the completion of the Center. In return, the Department signed a lease agreement with OCIA to make specified monthly payments over 20 years. In 2004, OCIA refinanced its State Facilities Revenue Bonds, Series 1999A for years 2010-2020 with Series 2004A. In 2014, OCIA refinanced its State Facilities Revenue Bonds, Series 2004A for year 2015-2020 with Series 2014B.

By law, all of these obligations were transferred to the Center as of January 1, 2002. During the years ended June 30, 2015 and 2014, all of the payments for the Series 1999A, Series 2003E and Series 2004A bonds were paid on behalf of the Center by the Regents. The Center has reflected the reduction in principal and interest expense for the payments made by the Regents in its financial statements for the years ended June 30, 2015 and 2014.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F and 2005G. Of the total bonded indebtedness, the State Regents allocated approximately $3,122,000 to the Center. Concurrently with the allocation, the Center entered into a lease agreement with OCIA for the projects being funded. The proceeds of the bonds and subsequent leases are to provide for capital improvements of the Center. In 2011, OCIA refinanced its State Facilities Revenue Bonds, Series 2005F for budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt services. OCIA issued two new State Facilities Revenue Bonds, Series 2010A and 2010B. This lease restructuring has extended certain principal payments into the future, resulting in a cost on restructuring. A deferred cost asset of $203,552, net of accumulated amortization of $169,626, is recorded in the statement of net position. The deferred cost will be amortized over 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $837,862 which also approximates the economic cost of the lease restructuring. In 2014, the 2005F series was partially refinanced with series 2014A.

Note E - Long Term Liabilities - Continued

Through June 30, 2015 and 2014, the Center has drawn down 100% of its total allotment, which includes $548,300 in interest earnings on the bond funds as of June 30, 2015. Lease payments to OCIA totaling approximately $503,594 and $277,011 during the years ended June 30, 2015 and 2014, respectively, were made by the State of Oklahoma on-behalf of the Center. These on-behalf payments have been recorded in the statement of revenues, expenses and changes in net position.

In February 2015, the Center entered into a four year, $105,300 lease agreement to fund the purchase of golf cars and other equipment.

The cost of capital assets relating to the capital leases included in the statements of net position totaled approximately $7,120,000, and the accumulated depreciation related to these assets was approximately $1,540,000 at June 30, 2015.

Future minimum payments under the capital leases are as follows:

Year Ending June 30:	Principal	Interest	Total
2016	$ 475,316	$ 126,116	$ 601,432
2017	391,716	86,713	478,429
2018	407,593	75,657	483,250
2019	454,371	58,181	512,552
2020	973	38,179	39,152
2021-2025	233,667	179,774	413,441
2026 - 2030	461,517	94,645	556,162
2031 - 2035	106,005	5,237	111,242
Total	$ 2,531,158	$ 664,502	$ 3,195,660

Note F - Retirement Programs

In June 2012, The Governmental Accounting Standards Board issued Statement No. 68, Accounting and Financial Reporting for Pensions. The statement, as amended by Statement No. 71, was effective for fiscal years beginning after June 15, 2014. The Center has adopted a measurement date of the beginning of the year for all pension plans. The adoption of the standard added deferred outflows for pension payments from the measurement date to the Center's year-end of June 30, 2015 for payments made to the plan which were not used by the plan in determining the pension obligations; deferred inflows primarily related to delayed recognition of investment return; and the recognition of the Center's share of net pension liabilities as of the measurement date. The net effect of these changes on beginning net position was a reduction of $1,571,405. This change is comprised of the net pension liability of $1,678,921 less deferred outflows of $107,516.

Note F - Retirement Programs - Continued

The following table summarize the effect of this change as it relates to the three plans maintained by the Center:

	OTRS	OPERS	OLERS	Total
Net pension liability, beginning of year	$ 1,529,740	$ 72,400	$ 76,781	$ 1,678,921
Deferred outflow, contributions	84,014	18,162	5,340	107,516
Net position adjustment	$ 1,445,726	$ 54,238	$ 71,441	$ 1,571,405

The following schedule summarizes the activity and net pension liabilities for the three plans below:

	OTRS	OPERS	OLERS	Total
Net pension liability, beginning of year	$ 1,445,726	$ 54,238	$ 71,441	$ 1,571,405
Pension expense	64,562	811	5,247	70,620
Deferred outflows	104,106	17,432	3,436	124,974
Deferred inflows	(297,232)	(43,805)	(38,899)	(379,936)
On-behalf pension payments	(63,222)	-	(13,905)	(77,127)
Compensation & employee benefits	(104,106)	(16,750)	(3,436)	(124,292)
Net pension liability, end of year	$ 1,149,834	$ 11,926	$ 23,884	$ 1,185,644

Oklahoma Teachers Retirement System (OTRS)

Plan description - The Center as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Benefits provided - OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of

Note F - Retirement Programs - Continued

- annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014.

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the Center were $104,106. The State of Oklahoma also made on-behalf contributions to OTRS, of which $63,222 was recognized by the Center; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Center reported a liability of $1,149,834 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the Center's proportion was .0214 percent.

Note F - Retirement Programs - Continued

For the year ended June 30, 2015, the Center recognized pension expense of $64,562. At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 18,953
Net difference between projected and actual earnings on pension plan investments	-	278,279
Center contributions subsequent to the measurement date	104,106	-
Total	$ 104,106	$ 297,232

$104,106 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (73,133)
2017	(73,113)
2018	(73,113)
2019	(73,113)
2020	(3,563)
Thereafter	(1,197)
	$ (297,232)

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return - 8.00%

Note F - Retirement Programs - Continued

- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality - RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
International Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	100.00%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Discount Rate - A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Note F - Retirement Programs - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,615,366	$ 1,149,834	$ 756,909

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS.

Oklahoma Public Employees Retirement Plan (OPERS)

Plan description - The Center as the employer participates in Oklahoma Public Employees Retirement Plan — a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

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

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

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

Benefits are calculated for each member category as follows:

Employees

- Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary

Note F - Retirement Programs - Continued

cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

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

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

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Contributions - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the Center were $16,750.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Center reported a liability of $11,926 for its

Note F - Retirement Programs - Continued

proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2014. Based upon this information, the Center's proportion was .006497 percent.

For the year ended June 30, 2015, the Center recognized pension expense of $811. At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,948
Changes of assumptions	682	-
Net difference between projected and actual earnings on pension plan investments	-	39,857
Center contributions subsequent to the measuremnt date	16,750	-
Total	$ 17,432	$ 43,805

$16,750 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	$ (11,490)
2017	(11,490)
2018	(10,860)
2019	(9,965)
	$ (43,805)

Note F - Retirement Programs - Continued

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

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

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

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

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute.

Note F - Retirement Programs - Continued

Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

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

	1% Decrease (-6.5%)	Current Discount Rate (7.5%)	1% Increase (-8.5%)
Employers' net pension liability	$ 74,250	$ 11,926	$ (41,058)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPERS which can be located at www.opers.ok.gov.

Oklahoma Law Enforcement Retirement Plan (OLERS)

Plan description – The Center as the employer, participates in the Oklahoma Law Enforcement Retirement Plan — a single-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Law Enforcement Retirement System (OLERS). The Plan is a single-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a qualified law enforcement officer as defined by the Oklahoma Statutes or participated in a related agency. The authority to establish and amend benefit provisions rests with the State Legislature. OLRS issues a publicly available financial report that can be obtained at www.olers.state.ok.us.

Benefits provided - OLRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

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

Note F - Retirement Programs - Continued

- Monthly retirement benefits are calculated at 2.5% of the highest 30 consecutive months of actual paid base salary multiplied by the years and complete months of credited service. Only salaries on which required contributions have been made are used in computing the final average salary. House Bill 2212, which was effective as of July 1, 2002, redefined final average earnings to be the greater of (i) the highest consecutive 30 months of actual earnings and (ii) the top base pay paid to active members. In accordance with House Bill 1383, for participants hired on or after May 22, 2013, the top base pay paid to active members will no longer be used in determining the member's final retirement benefit.
- Members who became disabled prior to July 1, 2000, prior to the member's normal retirement date and by direct reason of the performance of the member's duties as an officer, receive a monthly benefit equal to the greater of 50% of the average of the highest 30 consecutive complete months of actual paid base salary or 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years and complete months of the member's credited service. Effective July 1, 2000, Senate Bill 994 provides that the monthly benefit will be equal to 2.5% multiplied by the greater of 20 years of service or the actual number of years of service performed by the member if the member had performed 20 or more years of service, multiplied by final average salary. Senate Bill 994 provides that the final average salary for a member who performed less than 20 years of service prior to disability shall be computed assuming that the member was paid the highest salary allowable pursuant to the law in effect at the time of the member's disability based on 20 years of service and with an assumption that the member was eligible for any and all increases in pay based upon rank during the entire period. The final average salary for a member who had performed 20 or more years of service prior to disability shall be equal to the member's actual final average salary.
- Members who became disabled prior to the member's normal retirement date, but after completing 3 years of vesting service and not by reason of the performance of the member's duties as an officer or as a result of the member's willful negligence, receive a monthly benefit equal to 2.5% of the average of the highest 30 consecutive complete months of actual paid base salary multiplied by the number of years and complete months of the member's credited service.
- Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is also entitled to a pension benefit and, if applicable, each child is entitled to receive $400 per month until reaching age 18 or 22, providing the child is a full-time student. A $5,000 death benefit is also paid, in addition to any survivor's pension benefits from the Plan, to the participant's beneficiary or estate for those active or retired members who died after July 1, 1999.

Participants upon achieving 20 years of service may elect to enter a Deferred Option or "Back" Deferred Option Plan. Upon entering either of the plans, the participant is considered retired for the purpose of calculation of the net pension liability.

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014.

Note F - Retirement Programs - Continued

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating employers are required to contribute 11% of the employees' annual pay. Contributions to the pension plan from the Center were $3,436. The State of Oklahoma also made on-behalf contributions to OLERS, of which $13,905 was recognized by the Center; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Center reported a liability of $23,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Center's proportion of the net pension liability was based on the Center's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the Center's proportion was .0657 percent.

For the year ended June 30, 2015, the Center recognized pension expense of $5,247. At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,295
Net difference between projected and actual earnings on pension plan investments	-	33,604
Center contributions subsequent to the measuremnt date	3,436	-
Total	$ 3,436	$ 38,899

Note F - Retirement Programs - Continued

$3,436 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	$	(9,525)
2017		(9,525)
2018		(9,525)
2019		(9,525)
2020		(799)
	$	(38,899)

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - 3.75% to 7.80% average, including inflation
- Investment Rate of Return - 7.5% compounded annually, net of investment expense, and including inflation
- Mortality - Pre-retirement mortality rates were based on the RP-2000 Blue Collar Healthy Employees with Generation Projection. Post-retirement mortality rates were based on the same table as pre-retirement mortality rates. Disabled pensioners' mortality rates were based on the RP-2000 Blue Collar Table.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note F - Retirement Programs - Continued

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income:	
Core bonds	2.84%
Multisector	3.84%
Global bonds	2.87%
Equities:	
U.S. large cap equity	7.77%
U.S. small cap equity	9.03%
International developed equity	8.76%
Emerging market equity	10.09%
Long/short equity	7.64%
Private Equity	10.65%
Real Assets:	
Core real estate	5.30%
Commodities	4.21%

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

Note F - Retirement Programs - Continued

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

	1% Decrease (-6.5%)	Current Discount Rate (7.5%)	1% Increase (-8.5%)
Employers' net pension liability	$ 103,428	$ 23,884	$ (41,254)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OLRS which can be located at www.olers.state.ok.us.

Note G - Other Postemployment Benefits

In addition to the pension benefits described in Note F, the OTRS, OLERS, and OPERS pay the Medicare supplement insurance premium or $105 per month, whichever is less, for all retirees who elect coverage at the time of retirement through the Oklahoma State and Education Employees Group Insurance Board. OTRS, OLERS, and OPERS fund postemployment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. Expenditure and participant information is available for the state as a whole; however, information specific to the Center is not available or reasonably estimable.

Note H - Risk Management

The Risk Management Division of the state's Department of Central Services is responsible for the acquisition and administration of all insurance purchased by the state and for administration of self insurance plans and programs adopted for use by the state.

The Risk Management Division is authorized to settle claims of the state and oversee the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the state, or agency or other covered entity, exceed the limitation on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act.

The Risk Management Division also oversees the collection of liability claims owed to the state incurred as the result of a loss through the wrongful or negligent act of a private person or other entity. The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the state presented to the Risk Management Division.

Note H - Risk Management – Continued

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; employee health, life and accident benefits; unemployment; and natural disasters. The Center maintains commercial insurance coverage for claims arising from such matters other than torts, property, worker's compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Center, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The Center pays an annual premium to the pools for its torts, property, and workers' compensation insurance overages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Center is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability is expected to be immaterial and would be paid from current operations.

Note I - Commitments and Contingencies

During the ordinary course of business, the Center may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the Center at June 30, 2015 or 2014 that management believes would result in a material loss in the event of an adverse outcome.

Note J - Concentration of Revenue

The Center receives a substantial portion of its revenue from state appropriations and would, therefore, be significantly impacted by government cutbacks in those appropriations.

Note K – Subsequent Event

The Center entered into a 15-year, $500,000 master lease in September 2015. The lease will be used for a planned $500,000 in infrastructure improvements. The lease matures on June 1, 2030, and carries an interest rate of 3.25%.

Required Supplementary Information

Quartz Mountain Arts and Conference Center and Nature Park

Schedule of Proportionate Share of the Net Pension Liability - last 10 fiscal years*

As of plan year-end of June 30,

	OTRS	OPERS	OLERS	Total
Center's proportion of the net pension liability	0.0214%	0.6497%	0.0657%	N/A
Center's proportionate share of the net pension liability	$ 1,149,834	$ 11,926	$ 23,884	$ 1,185,644
Center's covered-employee payroll	$ 872,802	$ 110,072	$ 48,546	$ 1,031,420
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132%	11%	49%	115%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	97.90%	96.03%	N/A

* Note - Only the current fiscal year is presented because 10-year data is not available.

Quartz Mountain Arts and Conference Center and Nature Park

Schedule of Contributions - last 10 fiscal years*

As of plan year end of June 30,

	OTRS	OPERS	OLERS	Total
Contractually required contribution	$ 104,106	$ 16,750	$ 3,436	$ 124,292
Contributions in relation to the contractually required contribution	104,106	16,750	3,436	124,292
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College/University's covered-employee payroll	$ 1,069,311	$ 101,514	$ 31,235	$ 1,202,060
Contributions as a percentage of covered-employee payroll	9.74%	16.50%	11.00%	10.34%

* Note - Only the current fiscal year is presented because 10-year data is not available

Internal Control and Compliance Report

Stanfield & O'Dell PC
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CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees of the Quartz Mountain Arts
And Conference Center and Nature Park

We have audited the financial statements of Quartz Mountain Arts and Conference Center and Nature Park (the "Center") as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated October 8, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of 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.*

This report is intended solely for the information and use of the Board of Trustees, management, and the State of Oklahoma and is not intended to be and should not be used by anyone other than these specified parties.

Tulsa, Oklahoma
October 8, 2015

Stanfield & O'Dell P.C.