Quartz Mountain Arts and Conference Center and Nature Park

Financial Statements
and Independent Auditor's Report

June 30, 2017 and 2016

Stanfield + O'Dell
CPAs & ADVISORS

Contents

Stanfield + O'Dell
CPAs & ADVISORS

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, 2017 and 2016, 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, 2017 and 2016, 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

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 9, 2017, 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 9, 2017

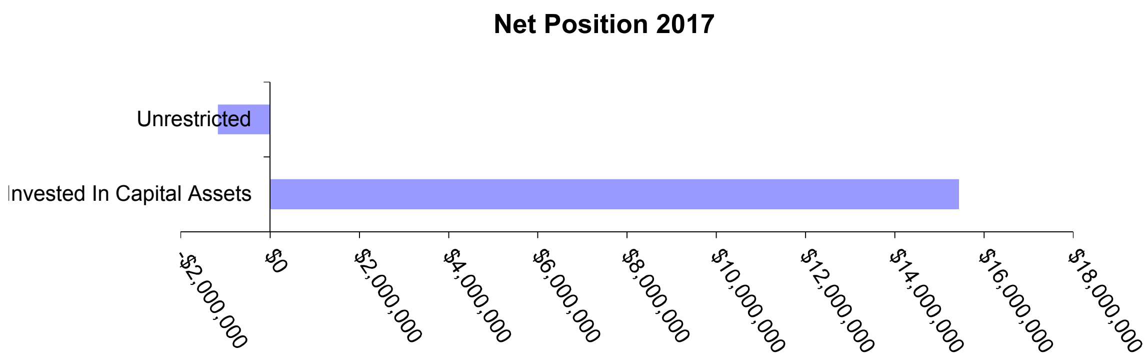
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

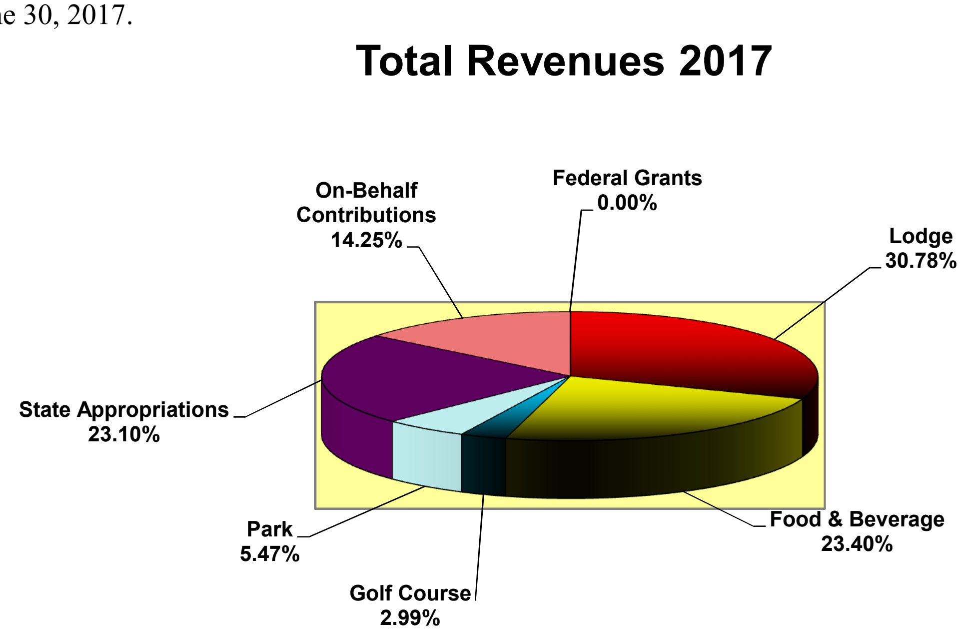
The discussion and analysis of Quartz Mountain Arts and Conference Center and Nature Park's (the "Center") financial statements provides an overview of the Center's financial activities for the year ended June 30, 2017. Since this management's discussion and analysis is designed to focus on current activities, 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, 2017 the Center's net position is $14.3 million. Of this ($1,165,767) is considered in the unrestricted category. 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, 2017.



In the fiscal year ended June 30, 2017, Quartz Mountain Arts and Conference Center and Nature Park revenues exceeded expenses, creating an increase in net position of $50,899 representing a 0.35% increase.

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.

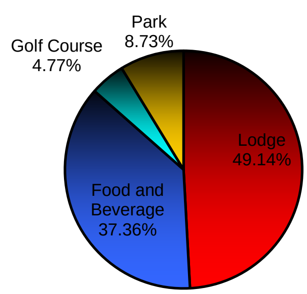
The following is a table of the Center's Statement of Net Position for the years ended June 30, 2017, 2016 and 2015:

Statement of Net Position, End of Year
June 30

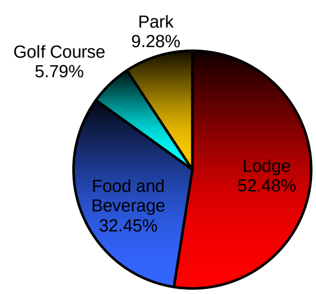
	2017	2016	2015
Current Assents	$ 729,555	$ 1,157,051	$ 629,832
Noncurrent Assents			
Restricted cash and cash equivalents	29,528	202,176	2,176
Deferred cost on OCIA Lease Restructure	0	0	33,926
Deferred amount related to pension	787,503	418,872	124,974
Capital Assets, Net of Depreciation	17,550,218	17,384,983	17,883,775
Total Assets and Deferred Outflows of Resources	19,096,804	19,163,082	18,674,683
Current Liabilities	708,877	743,459	787,768
Noncurrent Liabilities	3,740,821	3,760,162	3,301,188
Total Liabilities	4,449,698	4,503,621	4,088,956
Deferred Inflows of Resources	370,884	434,138	660,491
Net Position			
Investment in Capital Assets	15,441,989	15,356,904	15,352,617
Unrestricted Net Position	-1,165,767	-1,131,581	-1,199,374
Total Net Position	14,276,222	14,225,323	14,153,243

Operating revenues and expenses for the fiscal years ended June 30, 2017, 2016 and 2015:

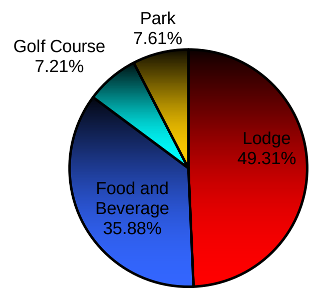
Operating Revenues 2017



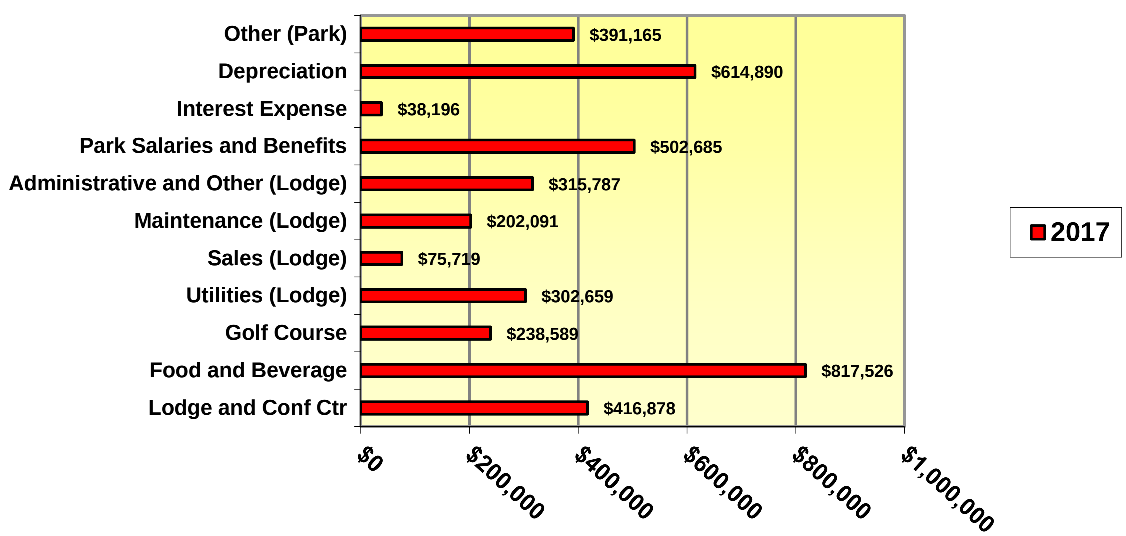
Operating Revenues 2016

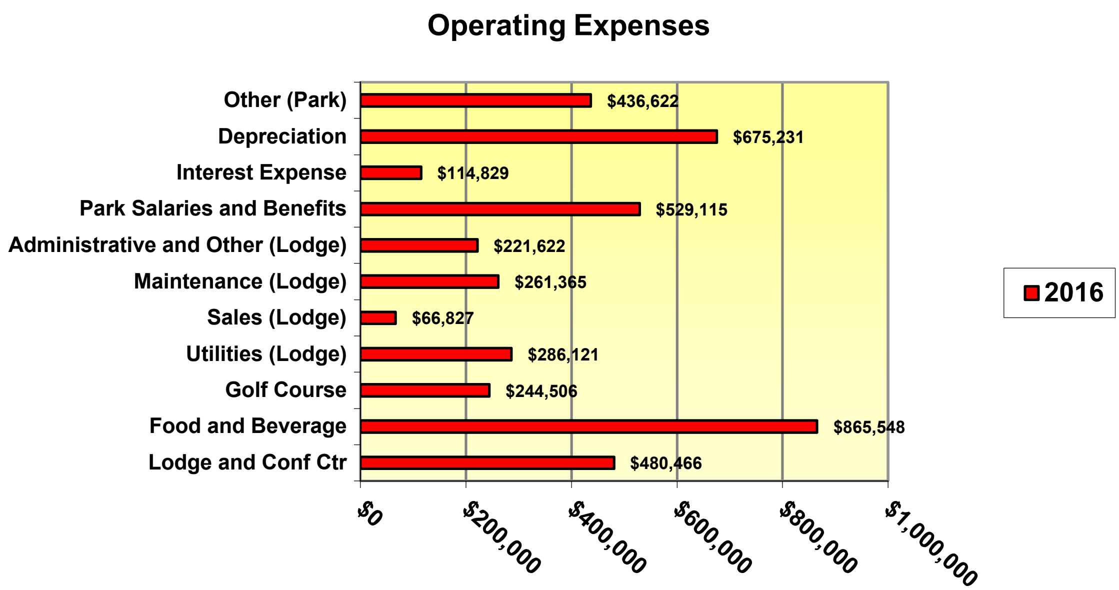


Operating Revenues 2015

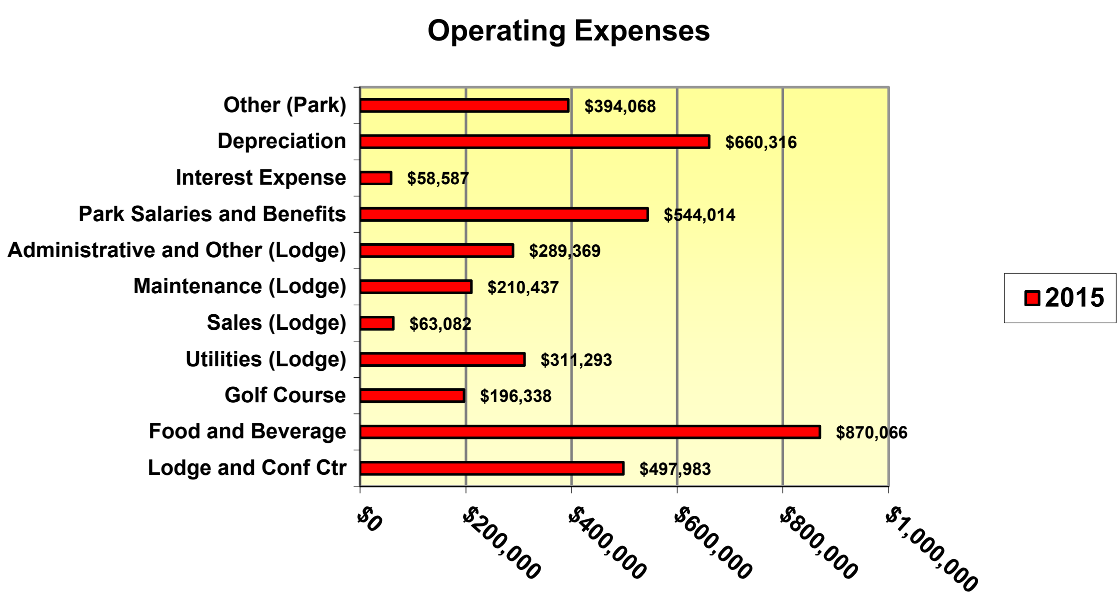


Operating Expenses





Operating Expenses
Other (Park)
Depreciation
Interest Expense
Park Salaries and Benefits
Administrative and Other (Lodge)
Maintenance (Lodge)
Sales (Lodge)
Utilities (Lodge)
Golf Course
Food and Beverage
Lodge and Conf Ctr
$436,622
$675,231
$114,829
$529,115
$221,622
$261,365
$66,827
$286,121
$244,506
$865,548
$480,466
$0
$200,000
$400,000
$600,000
$800,000
$1,000,000
2016



Operating Expenses
Other (Park)
Depreciation
Interest Expense
Park Salaries and Benefits
Administrative and Other (Lodge)
Maintenance (Lodge)
Sales (Lodge)
Utilities (Lodge)
Golf Course
Food and Beverage
Lodge and Conf Ctr
$394,068
$660,316
$58,587
$544,014
$289,369
$210,437
$63,082
$311,293
$196,338
$870,066
$497,983
$0
$200,000
$400,000
$600,000
$800,000
$1,000,000
2015

Operating Results for the Years Ended
June 30

	2017	2016	2015
Operating Revenues			
Lodge and Conference Center	$ 1,172,999	$ 1,204,085	$ 1,087,563
Food and beverage	891,862	744,486	791,376
Golf course and pro shop	113,961	132,736	158,927
Park and other revenue	208,395	212,857	167,744
Total	2,387,217	2,294,164	2,205,610
Less Operating Expenses	3,877,989	4,067,423	4,036,966
Net Operating Loss	(1,490,772)	(1,773,259)	(1,831,356)
Non Operating Revenue (Expense)			
State Appropriations	880,384	1,175,475	1,371,219
On-behalf Contributions	542,968	782,698	580,721
Capital Gifts and Grants	155,015		
Interest Expense	(38,196)	(114,829)	(58,587)
Gain (loss) on disposal of assets	1,500	1,995	(11,538)
Total non operating revenue	1,541,671	1,845,339	1,881,815
Increase (Decrease) in Net Position	50,899	72,080	50,459
Net Position, Beginning of Year	14,225,323	14,153,243	14,102,784
Net Position, End of Year	$ 14,276,222	$ 14,225,323	$ 14,153,243

For the year ended June 30, 2017 the Center's revenues exceeded expenses creating an increase in net position of $50,898. Likewise for the years ended June 30, 2016 and 2015 there was an increase in net position of $72,080 and 50,459 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 2017, 2016 and 2015.

Cash Flows for the Years Ended
June 30

	2017	2016	2015
Cash Provided (used) by:			
Operating activities	$ (849,264)	$ (1,060,514)	$ (1,110,657)
Noncapital financing activities	1,035,399	1,175,475	1,371,219
Capital and related financing activities	(283,191)	(131,281)	(17,726)
Net increase (decrease) in cash	(97,056)	(16,320)	242,836
Cash, beginning of the year	700,009	716,329	473,493
Cash, end of the year	$ 602,953	$ 700,009	$ 716,329

Fiscal year 2017, the Center's liquidity experienced a decrease of $97,056 as compared to a slight decrease of 2.3% in 2016 and an increase of 51.3% in 2015.

Description of Capital Assets and Long-Term Debt Activity

At June 30, 2017 the Center had $17.6 million invested in capital assets, net of accumulated depreciation of $11.5 million. Net depreciation charges totaled $614,890 for the year ended June 30, 2017. Details of these assets are shown below for the years ended June 30, 2017, 2016 and 2015:

Capital Assets, Net, at Year-End
June 30

	2017	2016	2015
Land	$ 278,393	$ 278,393	$ 278,393
Infrastructure	1,896,510	1,954,895	2,013,280
Land Improvements	1,910,935	2,056,598	2,219,461
Buildings	13,339,106	12,805,618	13,191,639
Equipment	125,274	128,238	181,002
Construction in Progress	-	161,241	-
Totals	$ 17,550,218	$ 17,384,983	$ 17,883,775

Planned capital expenses for the fiscal year ending June 2017 consisted of those related to the Log and Timber Repair Project at the Lodge. The project was completed in December of 2016 with total construction expenses of $912,685. FY 2018 planned capital expenses will be minimal due to lack of sufficient funding.

At June 30, 2017 the Center had $2.1 million in debt outstanding. The table below summarizes the outstanding debt by type for the years ended June 30, 2017, 2016 and 2015.

Outstanding Debt
June 30

	2017	**2016**	**2015**
OCIA Capital Lease - Series 2005F	$ -	$ -	$ 91,796
OCIA Capital Lease - Series 2010A	309,495	398,659	442,216
OCIA Capital Lease - Series 2010B	-	-	102,218
OCIA Capital Lease - Series 2014A	803,963	861,734	861,734
OCIA Capital Lease - Series 2014B	482,373	709,730	930,644
Master Lease - ODFA	445,583	473,667	-
Golf Cart Lease	66,815	84,288	102,550
	$ 2,108,229	$ 2,528,079	$ 2,531,158

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 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.

The Center is currently experiencing a stabilization of operational revenues due to adequate recreational lake levels that until recently have been negatively impacted by unprecedented drought conditions. The Center is optimistic that this trend will continue and provide opportunities for improved revenues.

The Center has been negatively impacted from the 2007 state appropriation reduction of over twenty-five (25) percent or $398,546. The reduction was taken during a time when other state agencies and higher education institutions were experiencing increases in their appropriations. Without the restoration of these funds it is likely that the Center will have to defer major maintenance into the foreseeable future. The Center will continue to work for the restoration of the 2007 appropriation reduction while realizing the importance of revenue growth for the stability and viability of the Center.

The Center completed a major renovation project that focused on replacing and repairing the log and timber components of the exterior of the Lodge and Conference Center. We feel the much needed repairs will contribute to the overall appearance and marketability of the Center. Investments have been made in a new property management system and point of sale system that will enable the Center to use captured data for future marketing activities. A new focus on social media and direct marketing is showing promise in increased transient business for the Center. We expect this trend to continue. The systems have made it easier for the public to make reservations and book tee times at the golf course.

The State of Oklahoma has recently experienced revenue shortfalls exacerbated by a decline in oil and gas production. Unless the current economic conditions that are negatively impacting the State's overall revenue picture change for the better, it appears that the Center's state appropriated resources will be challenged once again. The Center must 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.

Statements of Net Position

June 30,

		2017		2016
Assets				
Current assets				
Cash and cash equivalents	$	530,091	$	497,833
Accounts receivable		165,962		135,949
Receivable from state agency		-		500,000
Inventory		33,502		23,269
Total current assets		729,555		1,157,051
Noncurrent assets				
Restricted cash and cash equivalents		29,528		202,176
Capital assets, net		17,550,218		17,384,983
Total noncurrent assets		17,579,746		17,587,159
Total assets		18,309,301		18,744,210
Deferred outflows of resources				
Deferred amount related to pension		787,503		418,872
Total deferred outflows of resources		787,503		418,872
Total assets and deferred outflows of resources	$	19,096,804	$	19,163,082

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

Statements of Net Position

June 30,

	2017	2016
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 128,112	$ 160,750
Accrued payroll	56,139	61,929
Advanced deposits	16,658	27,861
Deposits held in custody for others	38,760	40,608
Compensated absences	32,480	32,461
Current portion of long-term debt	436,728	419,850
Total current liabilities	708,877	743,459
Noncurrent liabilities		
Net pension liability	2,000,300	1,582,954
Compensated absences	69,020	68,979
Capital leases	1,671,501	2,108,229
Total noncurrent liabilities	3,740,821	3,760,162
Total liabilities	4,449,698	4,503,621
Deferred inflows of resources		
Lease premiums	165,063	227,598
Deferred amount related to pension	205,821	206,540
Total deferred inflows of resources	370,884	434,138
Net position		
Invested in capital assets, net of related debt	15,441,989	15,356,904
Unrestricted net position	(1,165,767)	(1,131,581)
Total net position	14,276,222	14,225,323
Total liabilities and net position	$ 19,096,804	$ 19,163,082

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,

	2017	2016
Operating revenues		
Lodge and conference center rental	$ 1,134,707	$ 1,164,074
Food and beverage	891,862	744,486
Golf course and pro shop	113,961	132,736
Other lodge and conference center revenue	38,292	40,011
Park revenue	208,395	212,857
Total operating revenue	2,387,217	2,294,164
Operating expenses		
Lodge and conference center expenses	416,878	480,466
Food and beverage	817,526	865,548
Golf course and pro shop	238,589	244,506
Utilities - lodge and conference center	302,659	286,121
Sales - lodge and conference center	75,719	66,827
Maintenance - lodge and conference center	202,091	261,365
Administrative and other - lodge and conference center	315,787	221,622
Park and administration salaries and benefits	502,685	529,115
Depreciation	614,890	675,231
Other park operating expenses	391,165	436,622
Total operating expenses	3,877,989	4,067,423
Net operating loss	(1,490,772)	(1,773,259)
Nonoperating revenues (expenses)		
State appropriations	880,384	1,175,475
On-behalf debt payments - capital leases	458,321	581,324
On-behalf pension contributions	71,787	86,166
On-behalf payments for constuction & properties projects	12,860	115,208
Capital grants and gifts	155,015	-
Gain on disposal of capital assets	1,500	1,995
Interest expense	(38,196)	(114,829)
Net nonoperating revenues	1,541,671	1,845,339
Increase in net position	50,899	72,080
Net position, beginning of year	14,225,323	14,153,243
Net position, end of year	$ 14,276,222	$ 14,225,323

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,

	2017	2016
Cash flows from operating activities		
Cash received from customers	$ 2,344,153	$ 2,293,122
Cash paid to vendors and suppliers	(1,669,419)	(1,520,072)
Cash paid to employees for services	(1,567,332)	(1,833,564)
Net cash used in operating activities	(892,598)	(1,060,514)
Cash flows from noncapital financing activities		
State appropriations	880,384	1,175,475
Grants and contracts	155,015	-
Net cash provided by noncapital financing activities	1,035,399	1,175,475
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	1,500	-
Payment for acquisition of capital assets	(267,218)	(98,697)
Payments on capital leases	(17,473)	(32,584)
Net cash used in capital and related financing activities	(283,191)	(131,281)
Net decrease in cash	(140,390)	(16,320)
Cash and cash equivalents, beginning of year	700,009	716,329
Cash and cash equivalents, end of year	$ 559,619	$ 700,009
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (1,490,772)	$ (1,773,259)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	614,890	675,231
On-behalf contributions for maintenance	-	37,466
Gain (loss) on disposal of assets	(1,500)	1,995
Changes in assets and liabilities		
Accounts receivable	(30,013)	(12,740)
Inventory	(10,233)	(2,792)
Deferrals related to leases	(43,334)	(23,031)
Accounts payable and accrued expenses	(40,216)	13,711
Advances	(11,203)	6,723
Deferred inflows related to pension	119,783	16,182
Net cash used in operating activities	$ (892,598)	$ (1,060,514)

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 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.

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 the 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.

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.

Note B - Basis of Presentation - Continued

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, 2017 and 2016 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.
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 net pension liability. See Note F.

Note B - Basis of Presentation - Continued

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).

11. Reclassification

Certain prior year amounts have been reclassified to conform to current year's presentation. The reclassifications had no effect on the previously reported increase in net position.

Note C - Cash

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

	June 30	
	2017	2016
Deposits with the State Treasurer	$ 552,219	$ 692,609
Petty cash and change funds	7,400	7,400
Total cash and cash equivalents	$ 559,619	$ 700,009

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 2017 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	751,445	161,241	-	20,493,370
Equipment	1,228,792	28,680	-	(43,580)	1,213,892
Infrastructure	2,919,266	-	-	-	2,919,266
Land improvements	4,100,344	-	-	-	4,100,344
Construction in progress	161,241	-	(161,241)	-	-
Total capital assets, being depreciated	27,990,327	780,125	-	(43,580)	28,726,872
Total capital assets	28,268,720	780,125	-	(43,580)	29,005,265
Less accumulated depreciation for:					
Buildings	(6,775,067)	(379,197)	-	-	(7,154,264)
Equipment	(1,100,554)	(31,645)	-	43,580	(1,088,619)
Infrastructure	(964,371)	(58,385)	-	-	(1,022,756)
Land improvements	(2,043,745)	(145,663)	-	-	(2,189,408)
Total accumulated depreciation	(10,883,737)	(614,890)	-	43,580	(11,455,047)
Capital assets, net	$ 17,384,983	$ 165,235	$ -	$ -	$ 17,550,218

Note D - Capital Assets - Continued

A summary of property, plant, and equipment activity for fiscal 2016 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	1,216,347	15,198	-	(2,753)	1,228,792
Infrastructure	2,919,266	-	-	-	2,919,266
Land improvements	4,100,344	-	-	-	4,100,344
Construction in progress	-	161,241	-	-	161,241
Total capital assets, being depreciated	27,816,641	176,439	-	(2,753)	27,990,327
Total capital assets	28,095,034	176,439	-	(2,753)	28,268,720
Less accumulated depreciation for:					
Buildings	(6,389,046)	(386,021)	-	-	(6,775,067)
Equipment	(1,035,345)	(67,962)	-	2,753	(1,100,554)
Infrastructure	(905,986)	(58,385)	-	-	(964,371)
Land improvements	(1,880,882)	(162,863)	-	-	(2,043,745)
Total accumulated depreciation	(10,211,259)	(675,231)	-	2,753	(10,883,737)
Capital assets, net	$ 17,883,775	$ (498,792)	$ -	$ -	$ 17,384,983

Note E - Long Term Liabilities

Long-term liabilities consist of capital leases and compensated absences. Activity for the years ended June 30, 2017 and 2016 are as follows:

	Year Ended June 30, 2017				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2010A	$ 398,660	$ -	$ (89,165)	$ 309,495	$ 153,069
Capital lease - OCIA 2014A	861,734	-	(57,772)	803,962	-
Capital lease - OCIA 2014B	709,730	-	(227,357)	482,373	236,490
Golf Cart lease	84,288	-	(17,473)	66,815	18,086
Master lease	473,667	-	(28,083)	445,584	29,083
Total	2,528,079	-	(419,850)	2,108,229	436,728
Compensated absences	101,440	53,019	(52,959)	101,500	32,480
Total long-term liabilities	$ 2,629,519	$ 53,019	$ (472,809)	$ 2,209,729	$ 469,208

	Year Ended June 30, 2016				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2005F	$ 91,796	$ -	$ (91,796)	$ -	$ -
Capital lease - OCIA 2010A	442,216	-	(43,556)	398,660	89,164
Capital lease - OCIA 2010B	102,218	-	(102,218)	-	-
Capital lease - OCIA 2014A	861,734	-	-	861,734	57,772
Capital lease - OCIA 2014B	930,644	-	(220,914)	709,730	227,357
Golf Cart lease	102,550	-	(18,262)	84,288	17,474
Master lease	-	496,000	(22,333)	473,667	28,083
Total	2,531,158	496,000	(499,079)	2,528,079	419,850
Compensated absences	87,797	57,032	(43,389)	101,440	32,461
Total long-term liabilities	$ 2,618,955	$ 553,032	$ (542,468)	$ 2,629,519	$ 452,311

Note E - Long Term Liabilities - Continued

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 years 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, 2017 and 2016, all of the payments for the Series 2014B 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, 2017 and 2016.

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. 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.

Lease payments to OCIA totaling approximately $458,321 and $581,324 during the years ended June 30, 2017 and 2016, 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.

In August 2015, the Oklahoma Development Finance Authority (ODFA) issued Master Real Property Lease revenue bonds, Series 2015D, in the amount of $8,445,000. ODFA allocated $500,000 to the Center for the acquisition of or improvements to real property. ODFA will make payments on behalf of the Center for 15 years. A deferred inflow of $10,137 was recognized and will be amortized over the life of the bonds. A receivable for these funds was recognized as of June 30, 2015, as the funds are controlled by ODFA until invoices are submitted for payment and will be paid directly by the administrators of the funds.

Note E - Long Term Liabilities - Continued

The cost of capital assets relating to the capital leases included in the statements of net position totaled approximately $7,620,000, and the accumulated depreciation related to these assets was approximately $1,901,000 at June 30, 2017.

Future minimum payments under the capital leases are as follows:

Year Ending June 30:	Principal	Interest	Total
2018	$ 436,728	$ 89,134	$ 525,862
2019	482,923	70,693	553,616
2020	31,973	49,932	81,905
2021	31,083	48,983	80,066
2022	32,083	48,051	80,134
2023 - 2027	581,095	188,521	769,616
2028 - 2032	512,344	56,829	569,173
Total	$ 2,108,229	$ 552,143	$ 2,660,372

Note F - Retirement Programs

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	$ 1,515,431	$ 29,768	$ 37,755	$ 1,582,954
Pension expense	211,774	10,530	5,124	227,428
Deferred outflows	326,902	29,408	12,321	368,631
Deferred inflows	(11,968)	8,097	4,590	719
On-behalf pension payments	(65,651)	-	(6,136)	(71,787)
Compensation & employee benefits	(86,445)	(17,999)	(3,201)	(107,645)
Net pension liability, end of year	$ 1,890,043	$ 59,804	$ 50,453	$ 2,000,300

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.

Note F - Retirement Programs - Continued

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 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 2017.

***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.

Note F - Retirement Programs - Continued

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 $86,445.

The State of Oklahoma also made on-behalf contributions to OTRS, of which $65,651 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, 2017, the Center reported a liability of $1,890,043 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The 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, 2016. Based upon this information, the Center's proportion was .0226 percent.

For the year ended June 30, 2017, the Center recognized pension expense of $166,246. At June 30, 2017, 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	$ -	$ 43,879
Changes of assumptions	227,588	-
Net difference between projected and actual earnings on pension plan investments	220,636	-
Changes in Center's proportionate share of contributions	164,525	121,809
Differences between Center contributions and proportionate share of contributions		558
Center contributions subsequent to the measurement date	86,445	-
Total	$ 699,194	$ 166,246

$86,445 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, 2018.

Note F - Retirement Programs - Continued

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:

2018	$	77,894
2019		77,894
2020		151,612
2021		122,216
2022		16,887
Total	$	446,503

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 2.50%
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return - 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note F - Retirement Programs - Continued

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.2%
Domestic Large Cap Equity	10.0%	5.8%
Domestic Mid Cap Equity	13.0%	6.3%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	6.6%
Internationa Small Cap Equity	6.0%	6.6%
Core Plus Fixed Income	17.5%	1.6%
High-yield Fixed Income	6.0%	4.9%
Private Equity	5.0%	8.3%
Real Estate**	7.0%	4.5%
Master Limited Partnerships	7.0%	7.7%
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 7.50% was used to measure the total pension liability as of June 30, 2016, which was reduced from the discount rate used at June 30, 2015 of 8.00%. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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.

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:

	I% Decrease (6.5%)	Current Discount Rate (7.5%)	I% Increase (8.5%)
Employers' net pension liability	$ 2,484,321	$ 1,890,043	$ 1,406,615

Note F - Retirement Programs - Continued

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 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.

Note F - Retirement Programs - Continued

Employees - Continued

- 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.

Hazardous Duty Members

- Benefits are determined at (a) 2.5% of the final average compensation up to the applicable annual salary cap multiplied by the number of years of service as a hazardous duty member not to exceed 20 years and (b) 2.0% of the final average compensation multiplied by the number of years of service in excess of 20 years and any other years of service creditable. Normal retirement age under the Plan is 62 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 80/90 if participant became a member prior to November 1, 2011, or age 65 or at completion of 20 years of creditable service as a hazardous duty member or Rule of 90 if participant became a member on or after November 1, 2011.

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

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 17,999.

Note F - Retirement Programs - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the Center reported a liability of $59,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2016. Based upon this information, the Center's proportion was 0.0060272 percent.

For the year ended June 30, 2017, the Center recognized pension expense of $10,530. At June 30, 2017, 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	$ -	$ 2,628
Changes of assumptions	9,561	-
Net difference between projected and actual earnings on pension plan investments	25,024	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	5,381	8,463
Center contributions during the measurement date		2,638
Center contributions subsequent to the measurement date	17,999	-
Total	$ 57,965	$ 13,729

Note F - Retirement Programs - Continued

$17,999 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, 2018. 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:

2018	$	4,283
2019		2,476
2020		11,955
2021		7,523
Total		26,237

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

- Investment return – 7.25% 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, 2016 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.

Note F - Retirement Programs - Continued

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (-6.25%)	Current Discount Rate (7.25%)	1% Increase (-8.25%)
Employers' net pension liability	$ 122,421	$ 59,804	$ 6,647

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.

Note F - Retirement Programs - Continued

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. OLERS issues a publicly available financial report that can be obtained at www.olers.state.ok.us.

Benefits provided - OLERS 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.
- 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.

Note F - Retirement Programs - Continued

Oklahoma Law Enforcement Retirement Plan (OLERS) - Continued

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.

Contributions **-** The contributions requirements of the Plan are at an established rate determined 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 $3,201. The State of Oklahoma also made on-behalf contributions to OLRS, of which $6,136 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, 2017, the Center reported a liability of $50,453 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

Note F - Retirement Programs - Continued

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, 2016. Based upon this information, the Center's proportion was 0.0267 percent.

For the year ended June 30, 2017, the Center recognized pension expense of $5,124. At June 30, 2017, 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	$ 10,150	$ 1,238
Net difference between projected and actual earnings on pension plan investments	16,993	-
Changes in proportion	-	24,608
Center contributions subsequent to the measurement date	3,201	-
Total	$ 30,344	$ 25,846

$3,201 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, 2017. 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:	
2018	$ (1,181)
2019	(1,181)
2020	2,365
2021	1,982
2022	(688)
	$ 1,297

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

Note F - Retirement Programs - Continued

- 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 actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

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

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income:	
Core bonds	2.80%
Multisector	3.78%
Global bonds	2.69%
Equities:	
U.S. large cap equity	7.55%
U.S. small cap equity	8.73%
International developed equity	8.51%
Emerging market equity	9.78%
Long/short equity	7.64%
Private Equity	10.49%
Real Assets:	
Core real estate	5.77%
Commodities	3.96%

Discount Rate - The discount rate used to measure the total pension liability was 7.5%.

Note F - Retirement Programs - Continued

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.

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	$ 87,045	$ 50,453	$ 20,452

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 OLERS 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.

Note H - Risk Management – Continued

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.

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, 2017 or 2016 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.

Required Supplementary Information

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

As of plan year-end of June 30,

OTRS	2017	2016	2015
Center's proportion of the net pension liability	0.0226%	0.0250%	0.0214%
Center's proportionate share of the net pension liability	$ 1,890,043	$ 1,515,431	$ 1,149,834
Center's covered-employee payroll	$ 944,039	$ 1,069,311	$ 872,802
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200%	142%	132%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	70.31%	72.43%
OPERS			
Center's proportion of the net pension liability	0.0060%	0.0083%	0.6497%
Center's proportionate share of the net pension liability	$ 59,804	$ 29,768	$ 11,926
Center's covered-employee payroll	$ 108,279	$ 101,514	$ 110,072
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55%	29%	11%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	96.00%	97.90%
OLERS			
Center's proportion of the net pension liability	0.0267%	0.0364%	0.0657%
Center's proportionate share of the net pension liability	$ 50,453	$ 37,755	$ 23,884
Center's covered-employee payroll	$ 24,764	$ 31,325	$ 48,546
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	204%	121%	49%
Plan fiduciary net position as a percentage of the total pension liability	81.88%	89.62%	96.03%
Total			
Center's proportion of the net pension liability	N/A	N/A	N/A
Center's proportionate share of the net pension liability	$ 2,000,300	$ 1,582,954	$ 1,185,644
Center's covered-employee payroll	$ 1,077,082	$ 1,202,150	$ 1,031,420
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186%	132%	115%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	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	2017	2016	2015
Contractually required contribution	$ 86,445	$ 96,216	$ 104,106
Contributions in relation to the contractually required contribution	86,445	96,216	104,106
Contribution deficiency (excess)	$ -	$ -	$ -
Center's covered-employee payroll	$ 888,045	$ 944,039	$ 1,069,311
Contributions as a percentage of covered-employee payroll	9.73%	10.19%	9.74%
OPERS			
Contractually required contribution	$ 17,999	$ 17,866	$ 16,750
Contributions in relation to the contractually required contribution	17,999	17,866	16,750
Contribution deficiency (excess)	$ -	$ -	$ -
Center's covered-employee payroll	$ 109,084	$ 108,279	$ 101,514
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%
OLERS			
Contractually required contribution	$ 3,201	$ 2,724	$ 3,436
Contributions in relation to the contractually required contribution	3,201	2,724	3,436
Contribution deficiency (excess)	$ -	$ -	$ -
Center's covered-employee payroll	$ 29,100	$ 24,764	$ 31,235
Contributions as a percentage of covered-employee payroll	11.00%	11.00%	11.00%
Total			
Contractually required contribution	$ 107,645	$ 116,806	$ 124,292
Contributions in relation to the contractually required contribution	107,645	116,806	124,292
Contribution deficiency (excess)	$ -	$ -	$ -
Center's covered-employee payroll	$ 1,026,229	$ 1,077,082	$ 1,202,060
Contributions as a percentage of covered-employee payroll	10.49%	10.84%	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
CPAs & ADVISORS

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, 2017 and 2016, and have issued our report thereon dated October 9, 2017. 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
October 9, 2017