

**Quartz Mountain Arts and Conference
Center and Nature Park**

**Financial Statements
with Independent Auditors' Reports**

June 30, 2018 and 2017



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Quartz Mountain Arts and Conference Center and Nature Park
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June 30, 2018 and 2017

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Independent Auditors' Report

Board of Trustees
Quartz Mountain Arts and Conference Center and Nature Park
Lone Wolf, Oklahoma

Report on the Financial Statements

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 years ended June 30, 2018 and 2017 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

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2018 and 2017 and the respective changes in financial position and cash flows thereof for the year 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 and required supplementary information as listed in the table of contents 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 supplemental 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 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 10, 2018 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quartz Mountain Arts and Conference Center and Nature Park's internal control over financial reporting and compliance.

Hill & Company, PC

Tulsa, Oklahoma
October 10, 2018

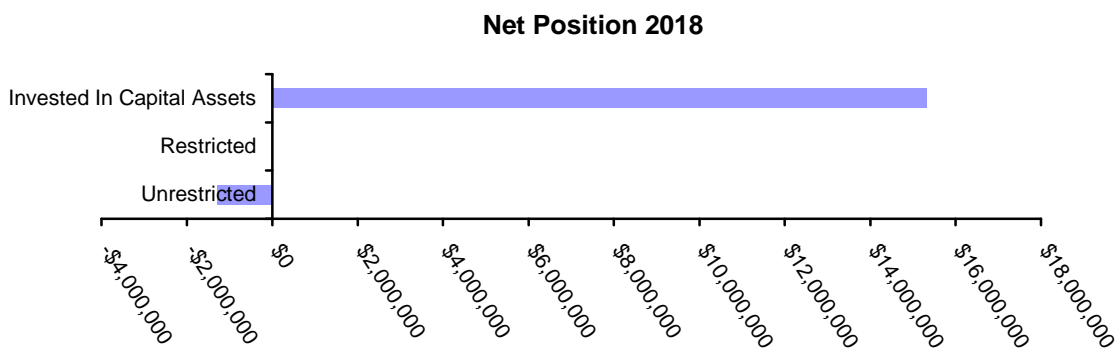


MANAGEMENT’S DISCUSSION AND ANALYSIS

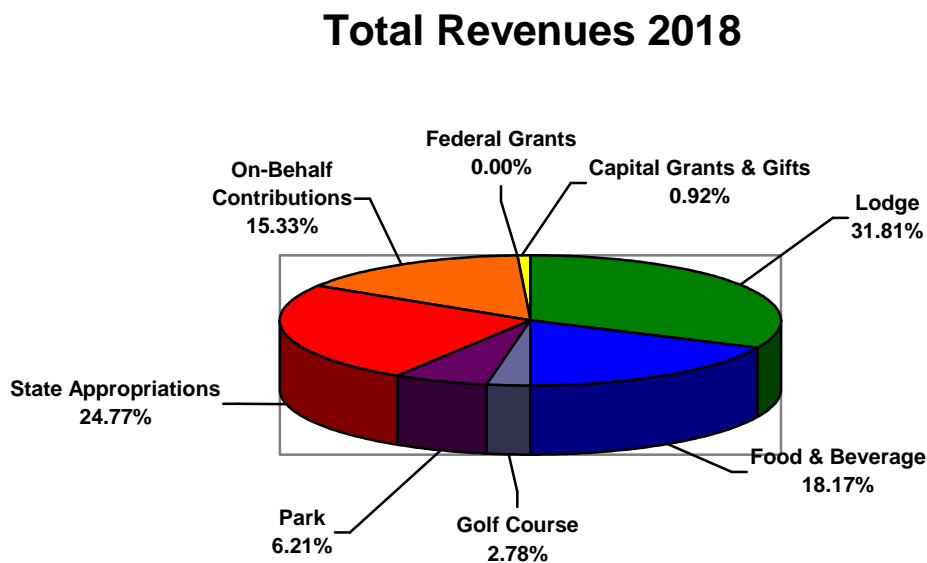
The discussion and analysis of Quartz Mountain Arts and Conference Center and Nature Park’s (the “Center”) financial statements provides an overview of the Center’s financial activities for the year ended June 30, 2018. Since this management’s discussion and analysis is designed to focus on current activities, 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, 2018, the Center’s net position is \$14.0 million. Of this, (\$1,295,072) 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, 2018.



In the fiscal year ended June 30, 2018, Quartz Mountain Arts and Conference Center and Nature Park's expenses exceeded revenues, creating a decrease in net position of \$256,164, representing a 1.79% decrease.

Overview of the Financial Statements and Financial Analysis

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.

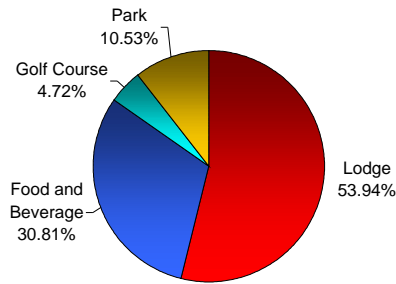
The following table of the Center's net position summarizes the major changes between the years ended June 30, 2018, 2017 and 2016:

Condensed Statement of Net Position

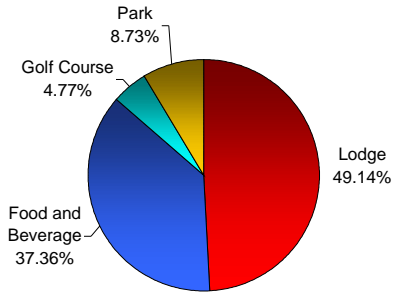
	June 30 2018	June 30 2017	Increase (Decrease)	Percent Change	June 30 2016	Increase (Decrease)	Percent Change
Current assets	\$ 535,657	\$ 729,555	\$ (193,898)	-26.58%	\$ 1,157,051	\$ (427,496)	-36.95%
Noncurrent assets:							
Restricted cash and cash equivalents	433	29,528	(29,095)	-98.53%	202,176	(172,648)	-85.39%
Net OPEB asset	9,318	-	9,318		-	-	
Capital assets, net	16,984,934	17,550,218	(565,284)	-3.22%	17,384,983	165,235	0.95%
Total assets	<u>17,530,342</u>	<u>18,309,301</u>	<u>(778,959)</u>	-4.25%	<u>18,744,210</u>	<u>(434,909)</u>	-2.32%
Deferred outflows	<u>445,612</u>	<u>787,503</u>	<u>(341,891)</u>	-43.41%	<u>418,872</u>	<u>368,631</u>	88.01%
Total assets and deferred outflows of resources	<u><u>17,975,954</u></u>	<u><u>19,096,804</u></u>	<u><u>(1,120,850)</u></u>	-5.87%	<u><u>19,163,082</u></u>	<u><u>(66,278)</u></u>	-0.35%
Current liabilities	714,888	708,877	6,011	0.85%	743,459	(34,582)	-4.65%
Noncurrent liabilities:							
Total liabilities	<u>2,730,278</u>	<u>3,740,821</u>	<u>(1,010,543)</u>	-27.01%	<u>3,760,162</u>	<u>(19,341)</u>	-0.51%
Deferred inflows	<u>510,730</u>	<u>370,884</u>	<u>139,846</u>	37.71%	<u>434,138</u>	<u>(63,254)</u>	-14.57%
Total liabilities and deferred inflows of resources	<u><u>3,955,896</u></u>	<u><u>4,820,582</u></u>	<u><u>(864,686)</u></u>	-17.94%	<u><u>4,937,759</u></u>	<u><u>(117,177)</u></u>	-2.37%
Net Position							
Invested in capital assets, net of related debt	15,313,432	15,441,989	(128,557)	-0.83%	15,356,904	85,085	0.55%
Restricted for OPEB	1,698	-	1,698		-	-	
Unrestricted	<u>(1,295,072)</u>	<u>(1,165,767)</u>	<u>(129,305)</u>	11.09%	<u>(1,131,581)</u>	<u>(34,186)</u>	3.02%
Total net position	<u><u>\$ 14,020,058</u></u>	<u><u>\$ 14,276,222</u></u>	<u><u>\$ (256,164)</u></u>	-1.79%	<u><u>\$ 14,225,323</u></u>	<u><u>\$ 50,899</u></u>	0.36%

Operating revenues and expenses for the fiscal years ended June 30, 2018, 2017 and 2016:

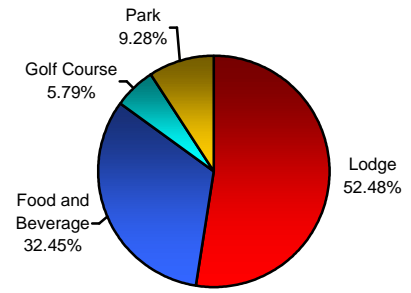
**Operating Revenues
2018**



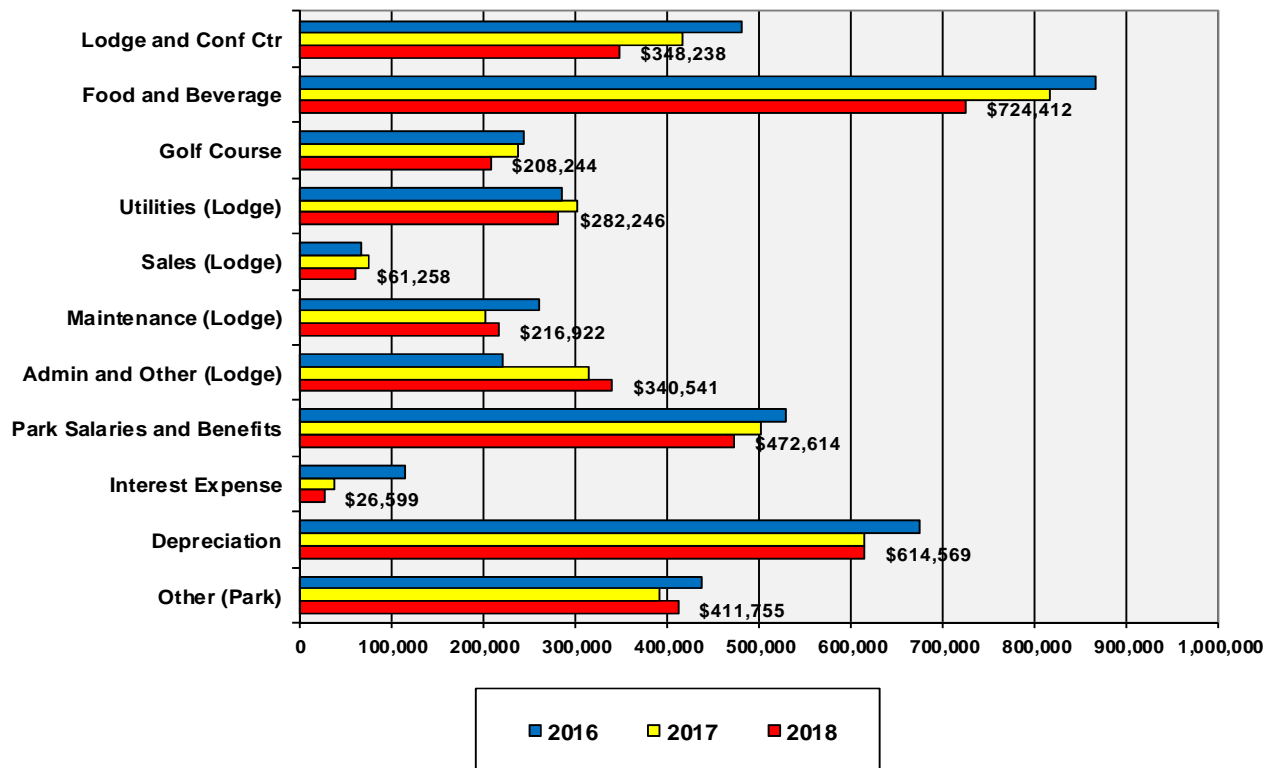
**Operating Revenues
2017**



**Operating Revenues
2016**



Operating Expenses



Revenues, Expenses and Changes in Net Position

	Years Ended June 30		Increase (Decrease)	Percent Change	Year Ended June 30		Increase (Decrease)	Percent Change
	2018	2017			2016			
Operating revenues:								
Lodge and conference center	\$ 1,098,021	\$ 1,172,999	\$ (74,978)	-6.39%	\$ 1,204,085	(31,086)	-2.58%	
Food and beverage	627,262	891,862	(264,600)	-29.67%	744,486	147,376	19.80%	
Golf course and pro shop	96,066	113,961	(17,895)	-15.70%	132,736	(18,775)	-14.14%	
Park and other revenue	214,271	208,395	5,876	2.82%	212,857	(4,462)	-2.10%	
Total operating revenues	<u>2,035,620</u>	<u>2,387,217</u>	<u>(351,597)</u>	-14.73%	<u>2,294,164</u>	<u>93,053</u>	4.06%	
Less operating expenses	<u>3,680,799</u>	<u>3,877,989</u>	<u>(197,190)</u>	-5.08%	<u>4,067,423</u>	<u>(189,434)</u>	-4.66%	
Net loss from operations	<u>(1,645,179)</u>	<u>(1,490,772)</u>	<u>(154,407)</u>	10.36%	<u>(1,773,259)</u>	<u>282,487</u>	-15.93%	
Nonoperating revenues (expenses):								
State appropriations	855,033	880,384	(25,351)	-2.88%	1,175,475	(295,091)	-25.10%	
On-behalf contributions	528,985	542,968	(13,983)	-2.58%	782,698	(239,730)	-30.63%	
Capital grants and gifts	31,721	155,015	(123,294)	-79.54%	-	155,015		
Gain (loss) on disposal of assets	(125)	1,500	(1,625)	-108.33%	1,995	(495)	-24.81%	
Interest Expense	<u>(26,599)</u>	<u>(38,196)</u>	<u>11,597</u>	-30.36%	<u>(114,829)</u>	<u>76,633</u>	-66.74%	
Net nonoperating revenues	<u>1,389,015</u>	<u>1,541,671</u>	<u>(152,656)</u>	-9.90%	<u>1,845,339</u>	<u>(303,668)</u>	-16.46%	
Increase (decrease) in net position	(256,164)	50,899	(307,063)	-603.28%	72,080	(21,181)	-29.39%	
Net position, beginning of year	<u>14,276,222</u>	<u>14,225,323</u>	<u>50,899</u>	0.36%	<u>14,153,243</u>	<u>72,080</u>	0.51%	
Net position, end of year	<u>\$ 14,020,058</u>	<u>\$ 14,276,222</u>	<u>\$ (256,164)</u>	-1.79%	<u>\$ 14,225,323</u>	<u>\$ 50,899</u>	0.36%	

For the year ended June 30, 2018, the Center's expenses exceeded revenues creating a decrease in net position of \$256,164. In contrast, for the years ended June 30, 2017 and 2016, there was an increase in net position of \$50,899 and \$72,080, respectively.

June 30, 2018 compared to June 30, 2017 resulted in the following revenue and expense changes:

- Overall operating revenues decreased by 14.73%, or \$351,597. Lodge and conference center revenues decreased by 6.39%, or \$74,978. This decrease is mostly attributable to a decrease in guest room revenue. Food and beverage revenues decreased by 29.67%, or \$264,600. This decrease is mostly attributable to a decrease in banquet operating revenues of 36.76%, or \$218,134, while Sundance Café revenues decreased by 15.57%, or \$46,466.
- Overall operating expenses decreased by 5.08%, or \$197,190, with the two largest expense category decreases being from lodge and conference center expenses (16.47%) and food and beverage expenses (11.39%).
- Net non-operating revenues decreased by 9.90%, or \$152,656. Included in this total is a decrease in State Appropriations of \$25,351, or 2.88%. Capital grants and gifts revenue also decreased in the amount of \$123,294, or 79.54%, which is mostly attributable to the amount of \$149,388 received in FY 2017 from Construction and Properties for the Timber Project.

For the year ended June 30, 2015, the Center adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement was effective for fiscal years beginning after June 15, 2014. This GASB statement requires that the Center calculate its total pension liability using three essential steps:

1. Projecting future benefit payments for current and former employees and their beneficiaries,
2. Discounting those payments to their present value, and
3. Allocating the present value over past, present, and future periods of employee service.

The effect of the net pension liability has a direct effect on the Unrestricted Net Position. Below is an illustration of the effect GASB Statement No. 68 on the 2016 Unrestricted Net Position:

June 30, 2016 unrestricted net position	(\$1,131,581)
Deferred outflows related to pension	(418,872)
Net pension liability	1,582,954
Deferred inflows related to pension	<u>206,540</u>
Unrestricted net position prior to net pension liability	<u>\$ 239,041</u>

Below is an illustration of the effect GASB Statement No. 68 on the 2017 Unrestricted Net Position:

June 30, 2017 unrestricted net position	(\$1,165,767)
Deferred outflows related to pension	(787,503)
Net pension liability	2,000,300
Deferred inflows related to pension	<u>205,821</u>
Unrestricted net position prior to net pension liability	<u>\$ 252,851</u>

For the year ended June 30, 2018, in addition to GASB Statement No. 68, the Center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement is effective for fiscal years beginning after June 15, 2017. This GASB statement requires that the Center measure its total OPEB liability using three broad steps:

1. Project benefit payments,
2. Discount projected benefit payments to actuarial present value, and
3. Attribute actuarial present value to periods.

Below is an illustration of the effect GASB Statements No. 68 and 75 on the 2018 Unrestricted Net Position:

June 30, 2018 unrestricted net position	(\$1,295,072)
Deferred outflows related to pension	(442,589)
Deferred outflows related to OPEB	(3,023)
Net pension liability	1,462,439
Net OPEB liability	716
Total OPEB liability	15,266
Deferred inflows related to pension	398,926
Deferred inflows related to OPEB	<u>1,656</u>
Unrestricted net position prior to net pension/OPEB liabilities	<u>\$ 138,319</u>

**Note: Unrestricted net position is not affected by the net OPEB asset of \$9,318 or related deferred inflows of \$7,620. The difference between these two amounts creates a net position restricted for OPEB in the amount of \$1,698.*

Please refer to Note 5–Retirement Programs and Note 6–Other Post-Employment Benefits (OPEB) in the Notes to the Financial Statements for further information regarding the implementation of GASB Statements No. 68 and No. 75.

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 a condensed look at the statement of cash flows for fiscal years 2018, 2017 and 2016.

Cash Flows for the Years Ended			
June 30			
	2018	2017	2016
Cash Provided (used) by:			
Operating activities	\$ (1,067,480)	\$ (892,598)	\$ (1,060,514)
Noncapital financing activities	886,754	1,035,399	1,175,475
Capital and related financing activities	(49,595)	(283,191)	(131,281)
Net increase (decrease) in cash	<u>(230,321)</u>	<u>(140,390)</u>	<u>(16,320)</u>
Cash, beginning of the year	559,619	700,009	716,329
Cash, end of the year	<u>\$ 329,298</u>	<u>\$ 559,619</u>	<u>\$ 700,009</u>

Fiscal year 2018, the Center’s liquidity experienced a decrease of \$230,321, or 41.2%, as compared to a decrease of 20.1% in 2017 and a slight decrease of 2.3% in 2016.

Description of Capital Assets and Long-Term Debt Activity

At June 30, 2018, the Center had \$17.0 million invested in capital assets, net of accumulated depreciation of \$12.0 million. Depreciation charges totaled \$614,569 for the year ended June 30, 2018. Details of these assets are shown below for the years ended June 30, 2018, 2017 and 2016:

Capital Assets, Net, at Year-End			
June 30			
	2018	2017	2016
Land	\$ 278,393	\$ 278,393	\$ 278,393
Infrastructure	1,838,125	1,896,510	1,954,895
Land Improvements	1,765,273	1,910,935	2,056,598
Buildings	12,990,995	13,339,106	12,805,618
Equipment	112,148	125,274	128,238
Construction in Progress	-	-	161,241
Totals	<u>\$ 16,984,934</u>	<u>\$ 17,550,218</u>	<u>\$ 17,384,983</u>

Planned capital expenses for the fiscal year ending June 30, 2018, were minimal due to the lack of sufficient funding and consisted of a new HVAC for the Lodge Ballroom and roof replacements on Pavilions #3, #4, and #5. Planned capital expenses for the fiscal year ending June 30, 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 2019 planned capital expenses will be minimal due to the lack of sufficient funding.

At June 30, 2018, the Center had \$1.7 million in debt outstanding. The table below summarizes the outstanding debt by type for the years ended June 30, 2018, 2017 and 2016.

	Outstanding Debt		
	June 30		
	2018	2017	2016
OCIA Capital Lease - Series 2010A	\$ 156,426	\$ 309,495	\$ 398,660
OCIA Capital Lease - Series 2014A	803,962	803,962	861,734
OCIA Capital Lease - Series 2014B	245,883	482,373	709,730
Master Lease - ODFAs	416,502	445,584	473,667
Golf Cart Lease	48,729	66,815	84,288
	<u>\$ 1,671,502</u>	<u>\$ 2,108,229</u>	<u>\$ 2,528,079</u>

More detailed information about the Center's outstanding debt is presented in Note 4 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 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.

In FY 2017, 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 continue to be challenged. Indications are that the overall fiscal health of the State of Oklahoma is

improving, and we are hopeful that State Agency budgets will see some improvement as the result of an increase in state revenue. The Center must monitor resources and expenditures very closely, emphasizing efficiency in all of our operational decisions and focus on generating additional revenues for the Center. The Center recently adopted an incentive pay program for staff positions responsible for revenue generation.

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, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 328,865	\$ 530,091
Accounts receivable	167,343	165,962
Inventory	39,449	33,502
Total current assets	535,657	729,555
Noncurrent assets		
Restricted cash and cash equivalents	433	29,528
Net OPEB asset	9,318	-
Capital assets, net	16,984,934	17,550,218
Total noncurrent assets	16,994,685	17,579,746
Total assets	17,530,342	18,309,301
Deferred outflows of resources		
Deferred amount related to pension	442,589	787,503
Deferred amount related to OPEB	3,023	-
Total deferred outflows of resources	445,612	787,503
Total assets and deferred outflows of resources	\$ 17,975,954	\$ 19,096,804

Quartz Mountain Arts and Conference Center and Nature Park
Statements of Net Position
June 30, 2018 and 2017

<u>LIABILITIES AND NET POSITION</u>	<u>2018</u>	<u>2017</u>
Current liabilities		
Accounts payable	\$ 127,345	\$ 128,112
Accrued payroll	57,320	56,139
Advanced deposits	15,209	16,658
Deposits held in custody for others	2,313	38,760
Compensated absences	29,778	32,480
Current portion of long-term debt	482,923	436,728
Total Current Liabilities	<u>714,888</u>	<u>708,877</u>
Noncurrent liabilities		
Net pension liability	1,462,439	2,000,300
Net OPEB liability	716	-
Total OPEB liability	15,266	-
Compensated absences	63,278	69,020
Capital leases	1,188,579	1,671,501
Total noncurrent liabilities	<u>2,730,278</u>	<u>3,740,821</u>
 Total liabilities	 3,445,166	 4,449,698
Deferred inflows of resources		
Lease premiums	102,528	165,063
Deferred amount related to pension	398,926	205,821
Deferred amount related to OPEB	9,276	-
Total deferred inflows of resources	<u>510,730</u>	<u>370,884</u>
Net position		
Invested in capital assets, net of related debt	15,313,432	15,441,989
Restricted for:		
OPEB	1,698	-
Unrestricted net position	(1,295,072)	(1,165,767)
Total net position	<u>14,020,058</u>	<u>14,276,222</u>
 Total liabilities and net position	 <u>\$ 17,975,954</u>	 <u>\$ 19,096,804</u>

Quartz Mountain Arts and Conference Center and Nature Park
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Lodge and conference center rental	\$ 1,061,140	\$ 1,134,707
Food and beverage	627,262	891,862
Golf course and pro shop	96,066	113,961
Other lodge and conference center revenue	36,881	38,292
Park revenue	214,271	208,395
Total operating revenue	<u>2,035,620</u>	<u>2,387,217</u>
Operating expenses		
Lodge and conference center expenses	348,238	416,878
Food and beverage	724,412	817,526
Golf course and pro shop	208,244	238,589
Utilities - lodge and conference center	282,246	302,659
Sales - lodge and conference center	61,258	75,719
Maintenance - lodge and conference center	216,922	202,091
Administrative and other - lodge and conference center	340,541	315,787
Park and administration salaries and benefits	472,614	502,685
Depreciation	614,569	614,890
Other park operating expenses	411,755	391,165
Total operating expenses	<u>3,680,799</u>	<u>3,877,989</u>
Net operating loss	<u>(1,645,179)</u>	<u>(1,490,772)</u>
Nonoperating revenues (expenses)		
State appropriations	855,033	880,384
On-behalf debt payments - capital leases	463,141	458,321
On-behalf pension contributions	65,844	71,787
On-behalf payments for construction & properties projects	-	12,860
Capital grants and gifts	31,721	155,015
Gain (loss) on disposal of capital assets	(125)	1,500
Interest expense	(26,599)	(38,196)
Net nonoperating revenues	<u>1,389,015</u>	<u>1,541,671</u>
Change in net position	(256,164)	50,899
Net position, beginning of year	<u>14,276,222</u>	<u>14,225,323</u>
Net position, end of year	<u>\$ 14,020,058</u>	<u>\$ 14,276,222</u>

Quartz Mountain Arts and Conference Center and Nature Park
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Cash received from customers	\$ 2,034,239	\$ 2,344,153
Cash paid to vendors and suppliers	(1,558,654)	(1,669,419)
Cash paid to employees for services	(1,543,065)	(1,567,332)
Net cash used in operating activities	(1,067,480)	(892,598)
Cash flows from noncapital financing activities		
State appropriations	855,033	880,384
Grants and contracts	31,721	155,015
Net cash provided by noncapital financing activities	886,754	1,035,399
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	4,035	1,500
Payment for acquisition of capital assets	(53,445)	(267,218)
Payments on capital leases	(185)	(17,473)
Net cash used in capital and related financing activities	(49,595)	(283,191)
Net decrease in cash	(230,321)	(140,390)
Cash and cash equivalents, beginning of year	559,619	700,009
Cash and cash equivalents, end of year	\$ 329,298	\$ 559,619
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,645,179)	\$ (1,490,772)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	614,569	614,890
Gain (loss) on disposal of assets	-	(1,500)
Changes in assets and liabilities		
Accounts receivable	(1,381)	(30,013)
Inventory	(5,947)	(10,233)
OPEB asset	(9,318)	-
Deferrals related to leases	(62,535)	(43,334)
Accounts payable and accrued expenses	(8,030)	(40,216)
Net pension liability	(537,861)	-
Net OPEB liability	716	-
Total OPEB liability	15,266	-
Advances	(37,896)	(11,203)
Deferred inflows related to pension	610,116	119,783
Net cash used in operating activities	\$ (1,067,480)	\$ (892,598)

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 1: 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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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.

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.

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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Accounts Receivable

Management considers all receivables as of June 30, 2018 and 2017 to be fully collectible; therefore, no allowance for doubtful accounts has been established. Receivables consist primarily of amounts due from the Oklahoma Arts Institute.

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 System (OLERS) and the Oklahoma Public Employees Retirement System (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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) and the Oklahoma Public Employees Retirement System (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 OPEB liability or asset 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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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.
- 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 5.

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).

Subsequent Events

Subsequent events have been evaluated through October 10, 2018, which is the date the financial statements were issued.

Note 2: Cash

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

	June 30	
	2018	2017
Deposits with the State Treasurer	\$ 321,898	\$ 552,219
Petty cash and change funds	7,400	7,400
Total cash and cash equivalents	\$ 329,298	\$ 559,619

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Cash (Continued)

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 3: Capital Assets

A summary of property, plant and equipment activity for fiscal year 2018 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	<u>278,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,393</u>
Capital assets, being depreciated:					
Buildings	20,493,370	35,850	-	(5,620)	20,523,600
Equipment	1,213,892	17,595	-	(20,000)	1,211,487
Infrastructure	2,919,266	-	-	-	2,919,266
Land improvements	4,100,344	-	-	-	4,100,344
Construction in progress	-	-	-	-	-
Total capital assets, being depreciated	<u>28,726,872</u>	<u>53,445</u>	<u>-</u>	<u>(25,620)</u>	<u>28,754,697</u>
Total capital assets	<u>29,005,265</u>	<u>53,445</u>	<u>-</u>	<u>(25,620)</u>	<u>29,033,090</u>
Less accumulated depreciation for:					
Buildings	(7,154,264)	(379,801)	-	1,460	(7,532,605)
Equipment	(1,088,619)	(30,720)	-	20,000	(1,099,339)
Infrastructure	(1,022,756)	(58,385)	-	-	(1,081,141)
Land improvements	(2,189,408)	(145,663)	-	-	(2,335,071)
Total accumulated depreciation	<u>(11,455,047)</u>	<u>(614,569)</u>	<u>-</u>	<u>21,460</u>	<u>(12,048,156)</u>
Capital assets, net	<u>\$ 17,550,218</u>	<u>\$ (561,124)</u>	<u>\$ -</u>	<u>\$ (4,160)</u>	<u>\$ 16,984,934</u>

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 3: Capital Assets (Continued)

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

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 4: Long Term Liabilities

Long-term liabilities consist of capital leases and compensated absences. Activity for the years ended June 30, 2018 and 2017 are as follows:

In	Year Ended June 30, 2018				
	Beginning Balance	Refinances / Additions	Refinances / Reductions	Ending Balance	Amounts Due Within One Year
Capital lease - OCIA 2010A	\$ 309,495	\$ -	\$ (153,069)	\$ 156,426	\$ 156,426
Capital lease - OCIA 2014A	803,962	-	-	803,962	1,800
Capital lease - OCIA 2014B	482,373	-	(236,490)	245,883	245,883
Golf cart lease	66,815	-	(18,086)	48,729	48,729
Master lease	445,584	-	(29,082)	416,502	30,085
Total	<u>2,108,229</u>	<u>-</u>	<u>(436,727)</u>	<u>1,671,502</u>	<u>482,923</u>
Compensated absences	101,500	47,756	(56,200)	93,056	29,778
Total long-term liabilities	<u>\$ 2,209,729</u>	<u>\$ 47,756</u>	<u>\$ (492,927)</u>	<u>\$ 1,764,558</u>	<u>\$ 512,701</u>

In	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	<u>2,528,079</u>	<u>-</u>	<u>(419,850)</u>	<u>2,108,229</u>	<u>436,728</u>
Compensated absences	101,440	53,019	(52,959)	101,500	32,480
Total long-term liabilities	<u>\$ 2,629,519</u>	<u>\$ 53,019</u>	<u>\$ (472,809)</u>	<u>\$ 2,209,729</u>	<u>\$ 469,208</u>

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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 4: Long Term Liabilities (Continued)

By law, all of these obligations were transferred to the Center as of January 1, 2002. During the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

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 \$463,141 and \$458,321 during the years ended June 30, 2018 and 2017, 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.

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 \$2,085,000 at June 30, 2018.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 4: Long Term Liabilities (Continued)

Future minimum payments under the capital leases are as follows:

Year Ending June 30,	Principal	Interest	Total
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	107,768	47,088	154,856
2024 - 2028	604,446	164,367	768,813
2029 - 2033	381,226	33,894	415,120
Total	<u>\$ 1,671,502</u>	<u>\$ 463,008</u>	<u>\$ 2,134,510</u>

Note 5: 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	\$ 1,890,043	\$ 59,804	\$ 50,453	\$ 2,000,300
Pension expense	142,432	10,081	9,065	161,578
Deferred outflows	(312,444)	(22,585)	(9,797)	(344,826)
Deferred inflows	(202,085)	3,027	6,064	(192,994)
On-behalf pension payments	(58,287)	(16,518)	(7,557)	(82,362)
Compensation & employee benefits	(75,989)	-	(3,268)	(79,257)
Net pension liability (asset), end of year	<u>\$ 1,383,670</u>	<u>\$ 33,809</u>	<u>\$ 44,960</u>	<u>\$ 1,462,439</u>

Oklahoma Teachers Retirement System (OTRS)

Plan description - The Center as the employer, participates in the Oklahoma Teachers Retirement System-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/TRS.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Teachers Retirement System (OTRS) (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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Teachers Retirement System (OTRS) (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 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 \$75,989.

The State of Oklahoma also made on-behalf contributions to OTRS, of which \$58,287 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, 2018, the Center reported a liability of \$1,383,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2017. Based upon this information, the Center's proportion was .0209 percent.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Teachers Retirement System (OTRS) (Continued)

For the year ended June 30, 2018, the Center recognized pension expense of \$142,432. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 94,467
Changes of assumptions	164,204	82,713
Net difference between projected and actual earnings on pension plan investments	19,668	-
Changes in Center's proportionate share of contributions	125,538	190,218
Differences between Center contributions and proportionate share of contributions	-	933
Center contributions subsequent to the measurement date	<u>75,989</u>	<u>-</u>
Total	<u>\$ 385,399</u>	<u>\$ 368,331</u>

\$75,989 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, 2019.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Teachers Retirement System (OTRS) (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,

2019	\$ (19,678)
2020	48,343
2021	21,218
2022	(77,740)
2023	(31,064)
Total	<u>\$ (58,921)</u>

Actuarial Assumptions - The total pension liability as of June 30, 2017 was determined based on an actuarial valuation prepared as of June 30, 2017 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%.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Teachers Retirement System (OTRS) (Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	<u>100.0%</u>	

** 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, 2017. 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 1,975,440	\$ 1,383,670	\$ 951,591

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Teachers Retirement System (OTRS) (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/TRS.

Oklahoma Public Employees Retirement System (OPERS)

Plan description - The Center as the employer participates in Oklahoma Public Employees Retirement System - 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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Public Employees Retirement System (OPERS) (Continued)

- 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.

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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Public Employees Retirement System (OPERS) (Continued)

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. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program; see Note 6. Contributions to the pension plan from the Center were \$16,518.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the Center reported a liability of \$33,809 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the Center's proportion was 0.0063 percent.

For the year ended June 30, 2018, the Center recognized pension expense of \$12,517. At June 30, 2018, 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	\$ -	\$ 6,046
Changes of assumptions	15,009	-
Net difference between projected and actual earnings on pension plan investments	1,510	-
Changes in proportion and differences between Center contributions and proportionate share of contributions	1,166	4,394
Center contributions during the measurement date	-	262
Center contributions subsequent to the measurement date	16,518	-
Total	<u>\$ 34,203</u>	<u>\$ 10,702</u>

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Public Employees Retirement System (OPERS) (Continued)

\$16,518 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	\$ 180
2019	9,797
2020	2,405
2021	<u>(5,399)</u>
Total	<u>\$ 6,983</u>

Actuarial Assumptions - The total pension liability as of June 30, 2017 was determined based on an actuarial valuation prepared as of July 1, 2017, using the following actuarial assumptions:

- Investment return - 7.00% compounded annually net of investment expense and including inflation
- Salary increases - 3.5% to 9.5% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Public Employees Retirement System (OPERS) (Continued)

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Asset 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Employers' net pension liability	\$ 99,924	\$ 33,809	\$ (22,175)

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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Law Enforcement Retirement System (OLERS)

Plan description - The Center as the employer, participates in the Oklahoma Law Enforcement Retirement System - 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.olars.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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Law Enforcement Retirement System (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.

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 \$3,268. The State of Oklahoma also made on-behalf contributions to OLERS, of which \$7,557 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, 2018, the Center reported a liability of \$44,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the Center's proportion was .0346 percent.

Quartz Mountain Arts and Conference Center and Nature Park
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Note 5: Retirement Programs (Continued)

Oklahoma Law Enforcement Retirement System (OLERS) (Continued)

For the year ended June 30, 2018, the Center recognized pension expense of \$8,370. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$3,268

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,641	\$ 1,665
Changes of assumptions	313	-
Net difference between projected and actual earnings on pension plan investments	6,225	-
Changes in proportion	3,540	18,228
Center contributions subsequent to the measurement date	<u>3,268</u>	<u>-</u>
Total	<u>\$ 22,987</u>	<u>\$ 19,893</u>

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, 2019. 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,

2019	\$ (1,921)
2020	2,675
2021	1,648
2022	(2,913)
2023	<u>337</u>
	<u>\$ (174)</u>

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Law Enforcement Retirement System (OLERS) (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of July 1, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation – 2.75%
- 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-2014 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-2014 Blue Collar Table.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 2012 to June 2016.

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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Retirement Programs (Continued)

Oklahoma Law Enforcement Retirement System (OLERS) (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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income:	
Core Bonds	6.28%
Multisector	7.16%
Global Bonds	6.05%
Equities:	
U.S. Large Cap Equity	10.99%
U.S. Small Cap Equity	12.22%
International Developed Equity	11.96%
Emerging Market Equity	13.23%
Long/Short Equity	10.74%
Private Equity	13.71%
Real Assets:	
Core Real Estate	9.39%
Commodities	5.61%

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.

Quartz Mountain Arts and Conference Center and Nature Park
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Note 5: Retirement Programs (Continued)

Oklahoma Law Enforcement Retirement System (OLERS) (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	\$ 92,278	\$ 44,960	\$ 6,173

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.olders.state.ok.us.

Note 6: Other Post-Employment Benefits (OPEB)

The Center participates in three employee other post-employment benefit plans as described:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
OTRS	Cost-sharing multiple-employer defined benefit OPEB plan
OPERS	Cost-sharing multiple-employer defined benefit OPEB plan
Quartz Defined Benefit Plan	Single-employer defined benefit OPEB plan

Quartz Mountain Arts and Conference Center and Nature Park
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June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

A summary of all the amounts recorded in the Center’s financial statements for the plans is as follows:

	2018 <u>Plan Total</u>
Net OPEB Asset	
OTRS	<u>\$ 9,318</u>
Total	<u><u>\$ 9,318</u></u>
Net OPEB Liability	
OPERS	<u>\$ 716</u>
Total	<u><u>\$ 716</u></u>
Total OPEB Liability	
Quartz	<u>\$ 15,266</u>
Total	<u><u>\$ 15,266</u></u>
Deferred Outflows of Resources	
OTRS	\$ 1,207
OPERS	<u>1,816</u>
Total	<u><u>\$ 3,023</u></u>
Deferred Inflows of Resources	
OTRS	\$ 7,620
OPERS	<u>1,656</u>
Total	<u><u>\$ 9,276</u></u>

Oklahoma Teachers Retirement System (OTRS)

Plan description - The Center as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance 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 pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Employees Group Insurance Division (“EGID”), depending on the members’ years of service during 2017.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
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Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Teachers Retirement System (OTRS) (Continued)

Contributions - Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 5 from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.15% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the Center were \$1,207.

OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the Center reported an asset of \$9,318 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The Center's proportion of the net OPEB asset was based on the Center's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the Center's proportion was .0209% percent.

For the year ended June 30, 2018, the Center recognized OPEB expense of (\$347). At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,501
Net difference between projected and actual earnings on OPEB plan investments	-	5,111
Contributions during the measurement period	-	8
Center contributions subsequent to the measurement date	<u>1,207</u>	<u>-</u>
Total	<u>\$ 1,207</u>	<u>\$ 7,620</u>

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Teachers Retirement System (OTRS) (Continued)

The \$1,207 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2019	\$	(1,743)
2020		(1,743)
2021		(1,743)
2022		(1,743)
2023		(463)
Thereafter		(185)
		\$ (7,620)

Actuarial Assumptions- The total OPEB liability (asset) as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- 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%.

Quartz Mountain Arts and Conference Center and Nature Park
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Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Teachers Retirement System (OTRS) (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate **	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.0%	

** 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 OPEB liability (asset) as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). 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 OPEB Liability (Asset) to Changes in the Discount Rate-The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB liability (asset) 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 OPEB liability (asset)	\$ (390)	\$ (9,318)	\$ (16,952)

OPEB plan fiduciary net position - Detailed information about the OPEB 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 .

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Public Employees Retirement System (OPERS)

Plan description - The Center as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Public Employees Retirement System (OPERS). The authority to establish and amend benefit provisions rests with the State Legislature. OPERS issues a publicly available financial report that can be obtained at www.ok.gov/OPERS.

Benefits provided - OPERS pays a medical insurance supplement to eligible members who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries. The supplement payment is capped at \$105 per month per retiree.

Contributions - The contribution rates for each member category of the System 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. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the SHIP in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan employers and employees contribute a single amount based on a single contribution rate as described in Note 5 from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program. Contributions allocated to the OPEB plan from the Center were \$1,156.

OPEB Liabilities (Assets), OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2018, the Center reported a liability of \$716 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The Center's proportion of the net OPEB asset was based on the Center's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the Center's proportion was .0063% percent.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Public Employees Retirement System (OPERS)

For the year ended June 30, 2018, the Center recognized OPEB expense of \$453. At June 30, 2018, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 883
Changes in Assumptions	583	-
Net difference between projected and actual earnings on OPEB plan investments	-	773
Contributions during the measurement period	77	-
Center contributions subsequent to the measurement date	<u>1,156</u>	<u>-</u>
Total	<u>\$ 1,816</u>	<u>\$ 1,656</u>

The \$1,156 reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2019	\$ (235)
2020	(235)
2021	(235)
2022	(235)
2023	(42)
Thereafter	<u>(14)</u>
	<u>\$ (996)</u>

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Public Employees Retirement System (OPERS)

Actuarial Assumptions- The total OPEB liability (asset) as of June 30, 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 using the following actuarial assumptions:

- Investment return – 7.00% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.5% per year including inflation
- Mortality rates – active participants and nondisabled pensioners – RP-2014 Mortality Table projected to 2025 by Scale MP-2016 (disabled pensioners set forward 12 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.75%
- Payroll growth – 3.5%
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

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, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	70.0%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	70.0%
Rate Anticipation	3.5%	1.5%
	<u>100.0%</u>	

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Oklahoma Public Employees Retirement System (OPERS)

Discount Rate- A single discount rate of 7.00% was used to measure the total OPEB liability (asset) as of June 30, 2017. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate-The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.00%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net OPEB liability (asset)	\$ 2,828	\$ 716	\$ (1,100)

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

Other Quartz Mountain Arts and Conference Center and Nature Park Defined Benefit Other Post-Employment Benefits (OPEB)

Plan description – The Center's defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The Center's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The Plan covers all current retirees of the Center and provides for employee and dependent healthcare coverage whom retiree based on eligibility of participation in Oklahoma Teachers Retirement System, Oklahoma Public Employees Retirement System and Oklahoma Law Enforcement Retirement System; provided the participant was covered by the Plan before retiring. The Center provides postretirement medical benefits through the Plan until age 65 if the retiree and spouse pay the full active premium. Participants can elect to enroll in special coverage and surviving spouses may continue in the Plan until age 65.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Other Quartz Mountain Arts and Conference Center and Nature Park Defined Benefit Other Post-Employment Benefits (OPEB)

Employees covered by benefit terms - At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees	24
Inactives or beneficiaries currently receiving benefit payments	1
Total	25

Total OPEB Liability – The Center’s total OPEB liability of \$15,266 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Salary Scale – 3.25%
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age - Retirement rates are as shown below and they are based on Oklahoma Teachers Retirement System, Oklahoma Public Employees Retirement System and Oklahoma Law Enforcement Retirement system.

Age	Male OTRS	Female OTRS	OPERS Unisex
60	12.00%	16.00%	14.0%
61	15.00%	20.00%	20.0%
62	21.00%	25.00%	25.0%
63	19.00%	20.00%	15.0%
64	15.00%	20.00%	15.0%
65	25.00%	25.00%	30.0%

Years of Service	OLERS
20	10.00%
25	10.00%
30	30.00%
35+	100.00%

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Other Quartz Mountain Arts and Conference Center and Nature Park Defined Benefit Other Post-Employment Benefits (OPEB)

- Turnover Rates – Developed from assumptions used in the actuarial valuation of the OTRS, OPERS and OLEERS.

Years of Service	OTRS	OPERS	OLEERS
0	23.00%	22.00%	15.00%
5	8.25%	10.50%	3.00%
10	4.50%	6.00%	1.75%
15	3.25%	4.25%	1.50%
20	2.00%	3.00%	0.00%

- Healthcare cost trend rates - Level 5.50%
- Average per capita claim cost – Range from age 50 of \$8,600 to age 65 of \$13,008
- Mortality Rates - RPH-2014 Total Table with Projection MP-2017
- Coverage – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 10% of all actives who currently have individual coverage will continue with individual coverage upon retirement.

Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:

	<u>Total OPEB Liability (a)</u>
Balances Beginning of Year	\$ 19,686
Changes for the Year:	
Service cost	158
Interest expense	668
Benefits paid	<u>(5,246)</u>
Net Changes	<u>(4,420)</u>
Balance End of Year	<u><u>\$ 15,266</u></u>

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Other Post-Employment Benefits (OPEB) (Continued)

Other Quartz Mountain Arts and Conference Center and Nature Park Defined Benefit Other Post Employment Benefits (OPEB)

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate-The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
Employers' total OPEB liability (asset)	\$ 15,612	\$ 15,266	\$ 14,925

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate-The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.50%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Employers' total OPEB liability (asset)	\$ 14,882	\$ 15,266	\$ 15,679

OPEB Expense- For the year ended June 30, 2018, the Center recognized OPEB expense of \$826.

Note 7: 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.

Quartz Mountain Arts and Conference Center and Nature Park
Notes to Financial Statements
June 30, 2018 and 2017

Note 7: Risk Management (Continued)

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 8: 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, 2018 or 2017 that management believes would result in a material loss in the event of an adverse outcome.

Note 9: 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

Quartz Mountain Arts and Conference Center and Nature Park
Schedule of Proportionate Share of the Net Pension Liability - Last 10 Fiscal Years*
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
OTRS				
Center's proportion of the net pension liability	0.0209%	0.0226%	0.0250%	0.0214%
Center's proportionate share of the net pension liability	\$ 1,383,670	\$ 1,890,043	\$ 1,515,431	\$ 1,149,834
Center's covered-employee payroll	\$ 888,045	\$ 944,039	\$ 1,069,311	\$ 872,802
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	156%	200%	142%	132%
Plan fiduciary net position as a percentage of the total pension liability.	69.32%	62.24%	70.31%	72.43%
OPERS				
Center's proportion of the net pension liability	0.0063%	0.0060%	0.0083%	0.6497%
Center's proportionate share of the net pension liability	\$ 33,809	\$ 59,804	\$ 29,768	\$ 11,926
Center's covered-employee payroll	\$ 109,084	\$ 108,279	\$ 101,514	\$ 110,072
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31%	55%	29%	11%
Plan fiduciary net position as a percentage of the total pension liability	94.28%	62.24%	96.00%	97.90%
OLERS				
Center's proportion of the net pension liability	0.0346%	0.0267%	0.0364%	0.0657%
Center's proportionate share of the net pension liability	\$ 44,960	\$ 50,453	\$ 37,755	\$ 23,884
Center's covered-employee payroll	\$ 29,100	\$ 24,764	\$ 31,325	\$ 48,546
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	155%	204%	121%	49%
Plan fiduciary net position as a percentage of the total pension liability	87.85%	81.88%	89.62%	96.03%
Total				
Center's proportion of the net pension liability	N/A	N/A	N/A	N/A
Center's proportionate share of the net pension liability	\$ 1,462,439	\$ 2,000,300	\$ 1,582,954	\$ 1,185,644
Center's covered-employee payroll	\$ 1,026,229	\$ 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	143%	186%	132%	115%
Plan fiduciary net position as a percentage of the total pension liability	N/A	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 Pension Contributions - Last 10 Fiscal Years*
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
OTRS				
Contractually required contribution	\$ 75,989	\$ 86,445	\$ 96,216	\$ 104,106
Contributions in relation to the contractually required contribution	75,989	86,445	96,216	104,106
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Center's covered-employee payroll	\$ 803,409	\$ 888,045	\$ 944,039	\$ 1,069,311
Contributions as a percentage of covered-employee payroll	9.46%	9.73%	10.19%	9.74%
OPERS				
Contractually required contribution	\$ 16,518	\$ 17,999	\$ 17,866	\$ 16,750
Contributions in relation to the contractually required contribution	16,518	17,999	17,866	16,750
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Center's covered-employee payroll	\$ 107,118	\$ 109,084	\$ 108,279	\$ 101,514
Contributions as a percentage of covered-employee payroll	15.42%	16.50%	16.50%	16.50%
OLERS				
Contractually required contribution	\$ 3,436	\$ 3,201	\$ 2,724	\$ 3,436
Contributions in relation to the contractually required contribution	3,436	3,201	2,724	3,436
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Center's covered-employee payroll	\$ 31,235	\$ 29,100	\$ 24,764	\$ 31,235
Contributions as a percentage of covered-employee payroll	11.00%	11.00%	11.00%	11.00%
Total				
Contractually required contribution	\$ 95,943	\$ 107,645	\$ 116,806	\$ 124,292
Contributions in relation to the contractually required contribution	95,943	107,645	116,806	124,292
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Center's covered-employee payroll	\$ 941,762	\$ 1,026,229	\$ 1,077,082	\$ 1,202,060
Contributions as a percentage of covered-employee payroll	10.19%	10.49%	10.84%	10.34%

*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 Proportionate Share of the Net OPEB Liability (Asset) - Last 10 Fiscal Years*
For the Years Ended June 30, 2018

	2018
OTRS	
Center's proportion of the net OPEB liability (asset)	0.0209%
Center's proportionate share of the net OPEB liability (asset)	\$ (9,318)
Center's covered-employee payroll	\$ 803,409
Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.16%
Plan fiduciary net position as a percentage of the total OPEB liability (asset).	110.40%
OPERS	
Center's proportion of the net OPEB liability (asset)	0.0063%
Center's proportionate share of the net OPEB liability (asset)	\$ 716
Center's covered-employee payroll	\$ 109,084
Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.66%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	96.50%
Total	
Center's proportion of the net OPEB liability (asset)	N/A
Center's proportionate share of the net OPEB liability (asset)	\$ (8,602)
Center's covered-employee payroll	\$ 912,493
Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	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 OPEB Contributions - Last 10 Fiscal Years*
For the Years Ended June 30, 2018

	2018
OTRS	
Contractually required contribution	\$ 1,207
Contributions in relation to the contractually required contribution	1,207
Contribution deficiency (excess)	\$ -
Center's covered-employee payroll	\$ 888,045
Contributions as a percentage of covered-employee payroll	0.14%
OPERS	
Contractually required contribution	\$ 1,156
Contributions in relation to the contractually required contribution	1,156
Contribution deficiency (excess)	\$ -
Center's covered-employee payroll	\$ 107,118
Contributions as a percentage of covered-employee payroll	1.08%
Total	
Contractually required contribution	\$ 2,363
Contributions in relation to the contractually required contribution	2,363
Contribution deficiency (excess)	\$ -
Center's covered-employee payroll	\$ 995,163
Contributions as a percentage of covered-employee payroll	0.24%

*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 Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2018

	2018
Total OPEB Liability	
Service costs	\$ 168
Interest	668
Benefit payments, including refunds of member contributions	(5,246)
Net change in total OPEB liability	(4,410)
Total OPEB liability - beginning	19,686
Total OPEB liability - ending (a)	\$ 15,276
Covered employee payroll	\$ 752,434
Total OPEB liability (asset) as a percentage of covered-employee payroll	2.03%

Notes to Schedule:

Only the current year is presented because 10-year data is not yet available

The discount rate used for 2018 is 3.88%



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

Board of Trustees
Quartz Mountain Arts and Conference Center and Nature Park
Lone Wolf, Oklahoma

We have audited, in accordance with the 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, the financial statements of Quartz Mountain Arts and Conference Center and Nature Park (the "Center"), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated October 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill & Company, PC

Tulsa, Oklahoma
October 10, 2018

