

Redlands Community College

**Financial Statements
with Independent Auditors' Reports**

June 30, 2012 and 2011



Redlands Community College
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June 30, 2012 and 2011

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REDLANDS COMMUNITY COLLEGE

Year Ended June 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis of Redlands Community College's (the College) financial statements provides an overview by management of the financial activities for the fiscal year ended June 30, 2012. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting change and current known fact, it should be read in conjunction with the basic financial statements and the notes to the financial statements. Where appropriate, year-to-year comparisons have been made and presented for discussion and analysis.

Financial Highlights

At June 30, 2012, the College's net assets were \$7,945,099, which reflects an increase of \$44,338 over last year. Operating revenue including tuition and fees, federal and state grants and contracts, and auxiliary enterprises totaled \$6,357,395. Net non-operating revenues totaled \$10,179,202, which includes governmental appropriations, non-operating federal and state grants, interest earned, and interest and miscellaneous expense. Operating expenses totaled \$17,528,725, including the provision for depreciation expense.

Using This Annual Report

This report consists mainly of three basic financial statements: *The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.*

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and will reflect whether the institution is better off or worse off as a result of the year's activities. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses reflects the College's operating results.

These two statements report the College's net assets and changes in them. Net Assets – the differences between assets and liabilities – reflect one way to measure the institution's financial health, or financial position. Over time, increases or decreases in the net assets are one indicator of whether financial health is improving or deteriorating. Other non-financial factors including freshmen class size, student retention, programmatic offerings, etc. must be considered as well to assess the overall health of the institution.

REDLANDS COMMUNITY COLLEGE

Year Ended June 30, 2012

The Statement of Cash Flows is another way to assess the financial health of an institution. The primary purpose of the statement 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 obligations as they come due and its need for external financing.

Other statistical information from the audit report will be presented in this Management's Discussion and Analysis section for explanatory purposes.

The College has four major sources of revenue: (1) tuition and fees, (2) federal and state grants and contracts, (3) sales and services of auxiliary activities, and (4) state appropriations.

1. As a public college in the state system, tuition and fees are now set by the individual college under the guidance of the Oklahoma State Regents for Higher Education, in accordance with legislative policy. Because each public state college is restricted through legislative action to maximum amounts of increases, the opportunities to increase revenue from this source come from larger enrollment numbers rather than from increased costs to enroll.
2. The College explores every opportunity and has been successful in gaining many opportunities for federal and state grants and for contracts and other sources of revenue. Although many times restricted in expense use, these sources are a significant portion of the operational revenue for increasing the programs offered by the College, thereby offering increased incentive for enrollment.
3. Revenue opportunities in the auxiliary services area include the revenue generated by food service and the printing facility. As a governmental agency, the revenue generated from these two enterprises funds the operational expenses and is not designed to increase the overall revenue of the College.
4. One of the most important sources of revenue for a public college in the State of Oklahoma is the state appropriation allocated to the Oklahoma State Regents for Higher Education (OSRHE), which in turn is allocated to each college in the state. Every year, the College campaigns for an increased allocation to support its continued growth and the various programs offered. For several years the College was consistently funded at approximately $\frac{1}{2}$ of 1 percent of the total budget appropriated to the OSRHE, but for the current year the College was funded at approximately $\frac{3}{8}$ of 1 percent. Although this increase is significant, it still leaves the College as one of the lowest funded colleges in the OSRHE system.

REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2012

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE
Comparison of Net Assets
For Fiscal Year Ended June 30, 2012

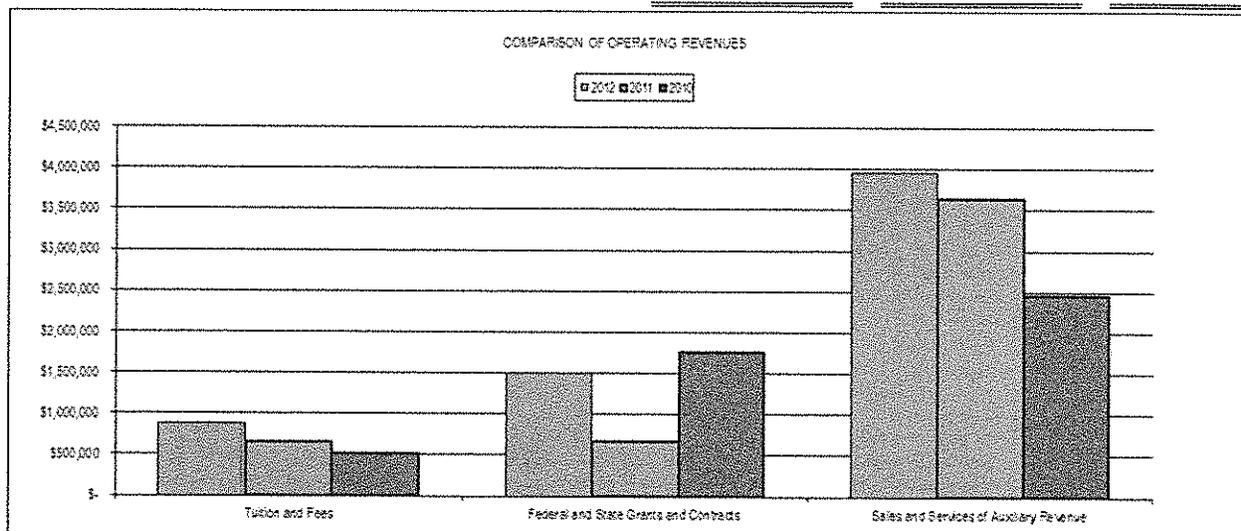
	2012	2011	2010
ASSETS:			
Current Assets	\$ 1,561,971	\$ 1,846,162	\$ 1,381,848
Noncurrent Assets:			
Capital Assets, Net of Depreciation	25,979,310	26,286,162	26,677,524
Receivable from State Agencies	-	102,560	561,322
Other	856,360	959,948	445,596
Total Assets	\$ 28,397,641	\$ 29,194,832	\$ 29,066,290
LIABILITIES:			
Current Liabilities	\$ 1,962,889	\$ 2,074,799	\$ 3,523,319
Noncurrent Liabilities:			
Note Payable	370,243	382,951	390,296
Capital Lease Obligations	17,891,198	18,507,616	17,031,534
Premium on OCIA capital lease obligation	-	-	155,498
Premium on ODFA master lease obligation	23,212	28,707	29,853
Revenue Bonds	205,000	300,000	385,000
Total Liabilities	\$ 20,452,542	\$ 21,294,073	\$ 21,515,500
NET ASSETS:			
Invested in Capital Assets, Net	7,398,631	7,241,640	7,475,568
Restricted	338,914	392,892	323,321
Unrestricted	207,554	266,228	(249,268)
Total Net Assets	\$ 7,945,099	\$ 7,900,760	\$ 7,549,621

This schedule is prepared from the College's Statement of Net Assets (page 3) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2012

COMPARISON OF OPERATING RESULTS
For Fiscal Year Ended June 30, 2012

	2012	2011	2010
OPERATING REVENUE			
Tuition and Fees	\$ 887,129	\$ 653,247	\$ 516,611
Federal and State Grants and Contracts	1,508,640	674,046	1,754,244
Sales and Services of Auxiliary Revenue	3,961,626	3,646,065	2,463,754
Other Operating Revenues	-	21,569	14,418
Total Operating Revenue	6,357,395	4,994,927	4,749,026
Less: Operating Expenses	(17,528,725)	(16,960,568)	(16,592,759)
Net Operating Revenue (Loss)	\$ (11,171,330)	\$ (11,965,641)	\$ (11,843,733)
NONOPERATING REVENUE			
State Appropriations	6,232,517	6,234,009	5,797,096
State Appropriations - ARRA	-	382,896	440,511
On-behalf payments for OTRS	430,000	356,000	305,000
Federal and State grants - non-operating	4,265,249	4,921,382	3,928,901
Investment Income	-	26	-
Interest on Capital Debt & Misc. Expense	(748,564)	(753,338)	(707,205)
Net Nonoperating Revenue (Loss)	\$ 10,179,202	\$ 11,140,975	\$ 9,764,303
OTHER REVENUES	\$ 1,036,465	\$ 1,174,636	\$ 1,656,637
NET ASSETS			
Change in Net Assets	44,338	349,970	(422,793)
Net Assets, Beginning of Year	7,900,760	7,550,790	7,973,583
Net Assets, End of Year	\$ 7,945,099	\$ 7,900,760	\$ 7,550,790



REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2012

CASH FLOWS

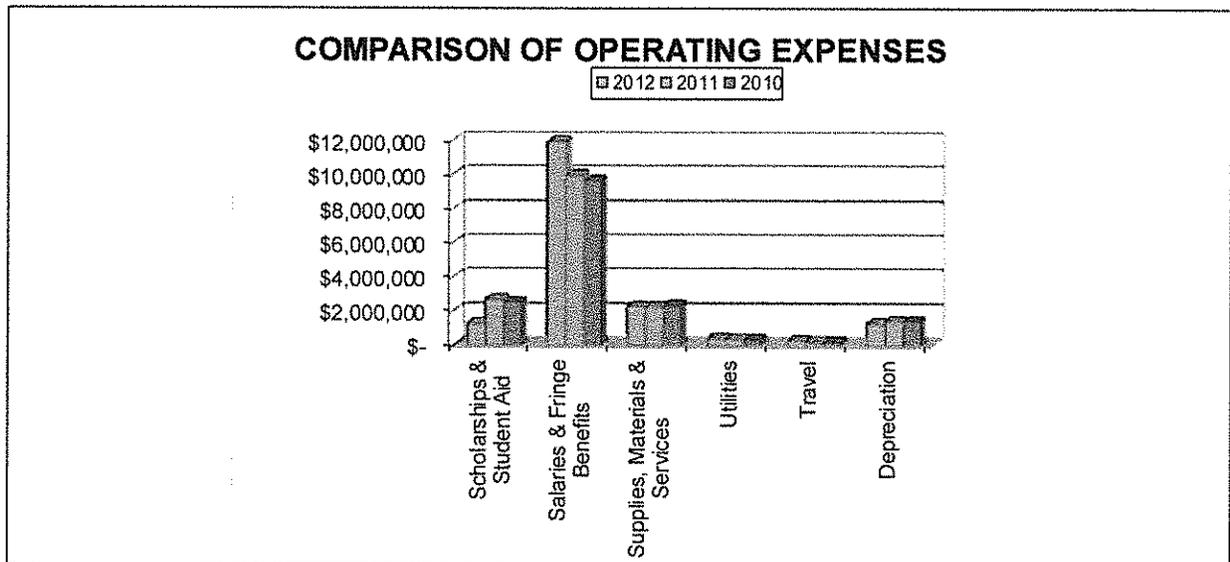
For Fiscal Year Ended June 30, 2012

	2012	2011	2010
Cash Provided (used) by:			
Operating Activities	\$ (9,730,716)	\$ (11,031,216)	\$ (9,875,608)
Non-Capital Financing Activities	10,485,944	11,507,354	10,161,742
Capital and Related Financing	(1,276,014)	(257,971)	(267,451)
Investing Activities	(7,408)	(2,554)	2,400
Net Increase (Decrease) in Cash	(528,194)	215,613	21,083
Cash, Beginning of Year	721,523	505,910	484,827
Cash, End of Year	<u>\$ 193,329</u>	<u>\$ 721,523</u>	<u>\$ 505,910</u>

COMPARISON OF OPERATING EXPENSES

For Fiscal Year Ended June 30, 2012

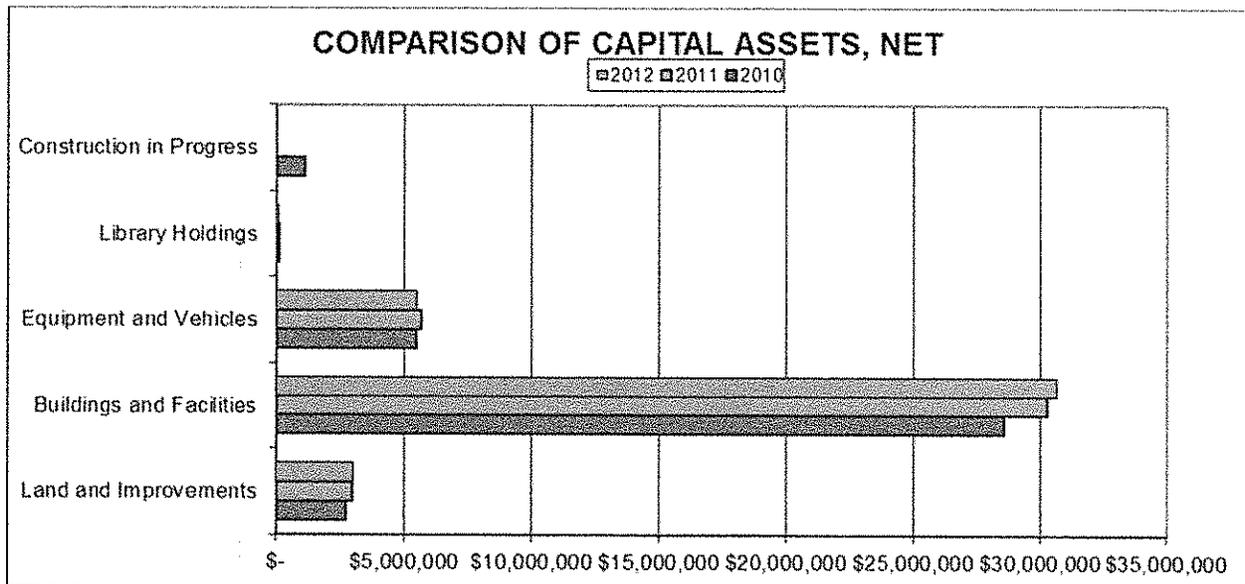
OPERATING EXPENSE	2012	2011	2010
Scholarships & Student Aid	\$ 1,292,610	\$ 2,701,431	\$ 2,537,572
Salaries & Fringe Benefits	11,923,000	9,965,420	9,640,012
Supplies, Materials & Services	2,282,630	2,257,889	2,346,184
Utilities	416,149	350,161	364,315
Travel	301,513	240,349	244,522
Depreciation	1,312,823	1,445,318	1,460,154
Total Operating Expenses	<u>\$ 17,528,725</u>	<u>\$ 16,960,568</u>	<u>\$ 16,592,759</u>



REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2012

COMPARISON OF CAPITAL ASSETS, NET
For Fiscal Year Ended June 30, 2012

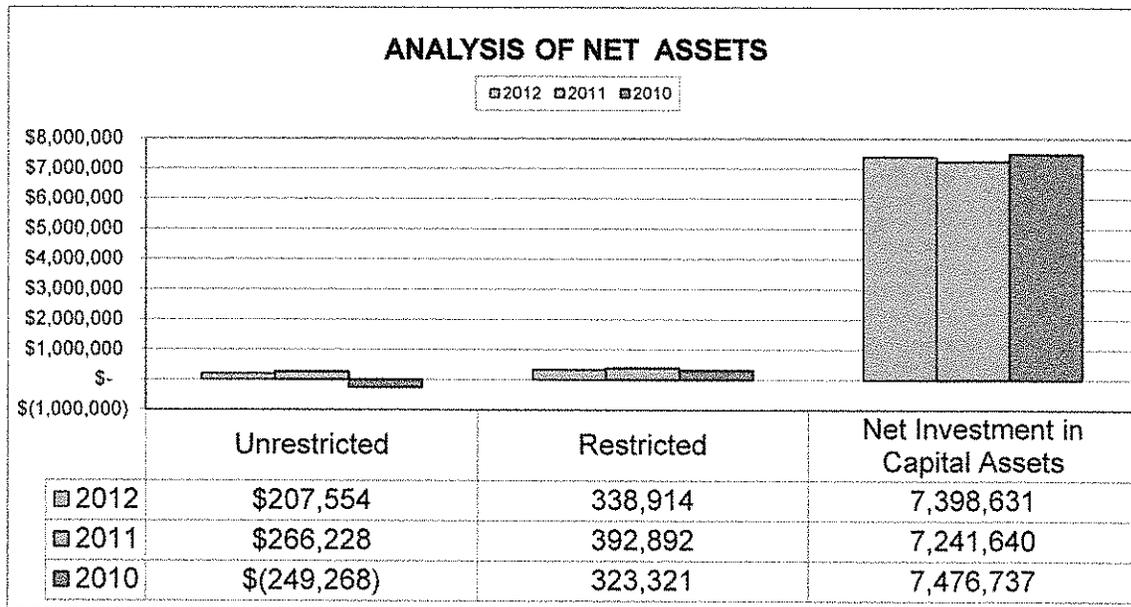
	2012	2011	2010
CAPITAL ASSETS			
Land and Improvements	\$ 2,977,836	\$ 2,951,626	\$ 2,699,644
Buildings and Facilities	30,692,843	30,283,811	28,594,965
Equipment and Vehicles	5,481,273	5,683,005	5,466,071
Library Holdings	102,076	102,076	102,076
Construction in Progress	-	-	1,120,529
Total Capital Assets	<u>39,254,028</u>	<u>39,020,518</u>	<u>37,983,284</u>
Less Accumulated Depreciation	<u>(13,274,718)</u>	<u>(12,734,354)</u>	<u>(11,305,760)</u>
Net Capital Assets	<u>\$ 25,979,310</u>	<u>\$ 26,286,164</u>	<u>\$ 26,677,524</u>



REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2012

ANALYSIS OF NET ASSETS
For Fiscal Year Ended June 30, 2012

	2012	2011	2010
NET ASSETS			
Unrestricted	\$ 207,554	\$ 266,228	\$ (249,268)
Restricted	338,914	392,892	323,321
Invested in Capital Assets, Net	7,398,631	7,241,640	7,476,737
Net Capital Assets	\$ 7,945,099	\$ 7,900,760	\$ 7,550,790





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Independent Auditors' Report

Regents of the College of Oklahoma
Redlands Community College
El Reno, Oklahoma

We have audited the accompanying statements of net assets of Redlands Community College (the College) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. Redlands Community College Foundation (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We did not audit the separately presented financial statements of the Foundation, which statements reflect total assets of \$912,804 and \$930,525 at June 30, 2012 and 2011, respectively. Those statements were audited by other auditors whose report has been included in that separate set of financial statements. Our opinion, insofar as it relates to the amounts included for the separately presented component unit, is based on the report of other auditors.

We conducted our audits 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

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www.SBAdvisors.com

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the separately presented component unit as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the College'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 results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hilke & Company, PC

Tulsa, Oklahoma
September 7, 2012



Redlands Community College
Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 193,329	\$ 721,523
Accounts receivable, net of allowance for doubtful accounts of \$410,095 in 2012 and \$376,061 in 2011	1,097,379	871,913
Grants Receivable	<u>271,263</u>	<u>252,726</u>
Total Current Assets	<u>1,561,971</u>	<u>1,846,162</u>
Noncurrent Assets		
Restricted Investments	236,805	229,395
Bond Issue Costs, net	619,558	730,553
Due from State	—	102,558
Capital assets, net of accumulated depreciation	<u>25,979,310</u>	<u>26,286,164</u>
Total Noncurrent Assets	<u>26,835,671</u>	<u>27,348,670</u>
Total Assets	<u>28,397,642</u>	<u>29,194,832</u>
LIABILITIES		
Current Liabilities		
Accounts payable	153,188	129,138
Accrued expenses	46,842	42,371
Accrued interest	9,302	11,895
Accrued compensated absences	198,149	194,078
Deferred revenue	382,028	463,793
Long-term liabilities, current portion	725,583	700,132
Deposits held in custody for others	<u>447,798</u>	<u>533,392</u>
Total Current Liabilities	<u>1,962,890</u>	<u>2,074,799</u>
Noncurrent Liabilities		
Long term liabilities	<u>18,489,653</u>	<u>19,219,273</u>
Total Noncurrent Liabilities	<u>18,489,653</u>	<u>19,219,273</u>
Total Liabilities	<u>20,452,543</u>	<u>21,294,072</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,398,631	7,241,640
Restricted for		
Debt service	236,803	229,395
Donor restrictions	102,111	163,497
Unrestricted	<u>207,554</u>	<u>266,228</u>
Total Net Assets	<u>\$ 7,945,099</u>	<u>\$ 7,900,760</u>



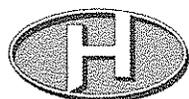
Redlands Community College
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Student tuition and fees, net of scholarship allowances of \$3,093,000 for 2012 and \$3,135,000 for 2011	\$ 887,129	\$ 653,247
Federal and state grants and contracts	1,508,640	674,046
Sales and services of auxiliary activities (revenues of \$132,000 in 2012 and \$152,000 in 2011 are pledged as security for the 1993 Student Center Revenue Bonds)	3,961,626	3,646,065
Other operating revenues	<u>—</u>	<u>21,569</u>
Total Operating Revenues	<u>6,357,395</u>	<u>4,994,927</u>
Operating Expenses		
Compensation	11,923,000	9,965,420
Supplies and materials	2,282,630	2,235,571
Depreciation	1,312,823	1,445,318
Utilities	416,149	350,161
Travel	301,513	240,349
Scholarships and fellowships	1,292,610	2,701,431
Other operating expenses	<u>—</u>	<u>22,318</u>
Total Operating Expenses	<u>17,528,725</u>	<u>16,960,568</u>
Operating Loss	<u>(11,171,330)</u>	<u>(11,965,641)</u>
Nonoperating Revenues (Expenses)		
State appropriations	6,232,517	6,234,009
State appropriations - ARRA	—	382,896
Federal and state grants	4,265,249	4,921,382
On-behalf Teachers' Retirement System contributions	430,000	356,000
Other operating expenses	(11,823)	(30,933)
Investment income	—	26
Interest expense	<u>(736,741)</u>	<u>(722,405)</u>
Net Nonoperating Revenues	<u>10,179,202</u>	<u>11,140,975</u>
Loss Before Other Revenues, Expenses, Gains, and Losses	<u>(992,128)</u>	<u>(824,666)</u>
Other Revenues, Expenses, Gains, and Losses		
On-behalf Oklahoma Capital Improvement Authority contributions	136,868	219,612
Capital appropriations	<u>899,599</u>	<u>955,024</u>
Other Revenues and Gains	<u>1,036,467</u>	<u>1,174,636</u>
Change in Net Assets	44,339	349,970
Net Assets at Beginning of Year	<u>7,900,760</u>	<u>7,550,790</u>
Net Assets at End of Year	<u>\$ 7,945,099</u>	<u>\$ 7,900,760</u>



Redlands Community College
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Tuition and fees	\$ 579,568	\$ 420,439
Grants and contracts	1,490,103	698,946
Payments to employees	(11,493,400)	(9,622,434)
Payments to vendors	(4,371,503)	(6,093,203)
Auxiliary enterprise	4,064,516	3,543,467
Other receipts	<u>—</u>	<u>21,569</u>
Net Cash Used in Operating Activities	<u>(9,730,716)</u>	<u>(11,031,216)</u>
Noncapital Financing Activities		
State appropriations	6,232,517	6,234,009
State appropriations - ARRA	—	382,896
Federal and state grants	4,265,249	4,921,382
Federal Family Education Loan receipts	2,746,229	3,128,198
Federal Family Education Loan disbursements	(2,746,229)	(3,128,198)
Agency transactions, net	<u>(11,823)</u>	<u>(30,933)</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,485,943</u>	<u>11,507,354</u>
Capital and Related Financing Activities		
Capital appropriations	899,599	955,024
Payments on bonds and lease payable	(1,195,639)	(2,014,494)
Proceeds from capital lease obligations	—	1,861,322
Purchases of capital assets	<u>(979,972)</u>	<u>(1,059,823)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,276,012)</u>	<u>(257,971)</u>
Investing Activities		
Sales and maturities of investments	(7,409)	(2,580)
Interest on investments	<u>—</u>	<u>26</u>
Net Cash Used in Investing Activities	<u>(7,409)</u>	<u>(2,554)</u>
Net Increase (decrease) in Cash	(528,194)	215,613
Cash and Cash Equivalents at Beginning of Year	<u>721,523</u>	<u>505,910</u>
Cash and Cash Equivalents at End of Year	<u>\$ 193,329</u>	<u>\$ 721,523</u>



Redlands Community College
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

(Continued)

	2012	2011
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (11,171,330)	\$ (11,965,641)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	1,312,823	1,445,318
On-behalf Teachers' Retirement System contributions	430,000	356,000
Loss on disposal of assets	10,576	29,982
Changes in assets and liabilities		
Receivables, net	(141,443)	(351,262)
Accounts payable	(3,583)	(628,910)
Accrued expenses	(90,065)	54,114
Compensated absences	4,071	(11,573)
Deferred revenues	(81,765)	40,756
Net Cash Used in Operating Activities	\$ (9,730,716)	\$ (11,031,216)
Supplemental Cash Flow Information		
Accounts payable related to capital assets	\$ <u>36,575</u>	\$ <u>18,834</u>
Principal and interest paid by OCIA	\$ <u>136,868</u>	\$ <u>219,612</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Current cash and cash equivalents	\$ 193,329	\$ 721,523
Noncurrent cash and cash equivalents	—	—
	\$ 193,329	\$ 721,523



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Redlands Community College (the "College") is a two year college operating under the jurisdiction of the Board of Regents of Redlands Community College, (the "Board of Regents"), and is part of the Oklahoma System of Higher Education.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The Chapel Creek Winery, LLC (the "Winery") is a legally separate, tax-exempt component unit of the College. The Winery produces and sells premium varietal and blended wines made from grapes grown only in Oklahoma, and produced solely by the College's students and faculty on property, and with equipment owned by the College. The Winery has been presented in the College's financial statements as a blended component unit because the Winery provides services almost entirely to the College, which is the primary government. Separate unaudited financial statements for the Winery can be obtained from the Office of the Vice-President for Instructional Services. As of July 1, 2011, Chapel Creek Winery took over operations and is no longer considered a component unit of the College.

The accompanying financial statements include the accounts and funds of the College and the Winery. The College is governed by the Board of Regents of the College of Oklahoma, and is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education. The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the state as part of the higher education component unit.

Redlands Community College Foundation, Inc. (the Foundation), is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and its financial statements are separately presented in the College's financial statements.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Financial Statement Presentation

The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

Under GASB Statement No. 34 and GASB Statement No. 35, the College is required to present a statement of net assets classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net assets with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

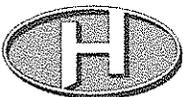
Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the state treasurer are considered cash equivalents.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures and Amendment of GASB Statement No. 3*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of Oklahoma. Accounts receivable also include amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the condition of the general economy and the industry as a whole. The College writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, make long-term student loans, or to purchase capital or other noncurrent assets are classified as noncurrent assets in the statements of net assets.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College's capitalization policy for buildings includes all items with a unit cost of \$25,000 or more and an estimated useful life of at least 10 years. The College's capitalization policy for improvements other than buildings includes all items with a unit cost of \$5,000 or more. The College's capitalization policy for furniture, fixtures, and information technology equipment, includes all items with a unit cost of \$500 or more and an estimated useful life of greater than one year. Library books are capitalized at cost if the item becomes part of the volume count for the library. Effective July 1, 2010, the College's capitalization policy for equipment was changed to include all items with a unit cost of \$2,500 or more with an estimated useful life of greater than one year. The College does not provide for depreciation of its library books.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure and land improvements, and 3 to 7 years for library materials and equipment, or the duration of the lease term for capital leases.

Compensated Absences

Employee vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued expenses in the statements of net assets and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year, (2) pension liabilities that will not be paid within the next fiscal year, and (3) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt. This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Restricted Net Assets – Expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets – Nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and of auxiliary enterprises, and (3) certain federal, state, and nongovernmental grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues (Continued)

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 7, 2012, which is the date the financial statements were issued.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

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 College's deposits



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits (Continued)

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 State Treasurer may determine, in the State's name.

The College requires that balances on deposit with financial institutions, including trustees related to the College's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the College's name.

At June 30, 2012 and 2011, the carrying amount of the College's deposits was \$193,329 and \$721,103, respectively. These amounts consisted of deposits with the State Treasurer \$193,329 and \$721,103 at June 30, 2012 and 2011, respectively.

Interest Rate Risk

The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

All United States government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306, of the Oklahoma statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit, and demand deposits. The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a *Single A* rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 2: Deposits and Investments (Continued)

Investment maturities were as follows at June 30, 2012 and 2011 respectively:

2012 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market	236,805	236,805				
	\$ 236,805	\$ 236,805	\$ _____	\$ _____	\$ _____	\$ _____

2011 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market	229,395	229,395				
	\$ 229,395	\$ 229,395	\$ _____	\$ _____	\$ _____	\$ _____

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. However, the majority of the investments are in mutual funds and investments guaranteed by the U.S. Government.

Note 3: Accounts Receivable, Net

Accounts receivable consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Student tuition and fees	\$ 1,493,825	\$ 1,233,995
Auxiliary enterprises and other operating activities	<u>13,649</u>	<u>13,979</u>
	1,507,474	1,247,974
Less allowance for doubtful accounts	<u>(410,095)</u>	<u>(376,061)</u>
	<u>\$ 1,097,379</u>	<u>\$ 871,913</u>



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 4: Capital Assets, Net

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated					
Land	\$ 874,082	\$ —	\$ —	\$ —	\$ 874,082
Library holdings	102,076	—	—	—	102,076
Construction in progress	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total capital assets not being depreciated	<u>\$ 976,158</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 976,158</u>
Other capital assets					
Land improvements	\$ 2,077,544	\$ 26,210	\$ —	\$ —	\$ 2,103,754
Building and facilities	30,283,811	409,032	—	—	30,692,843
Equipment and vehicles	5,683,005	581,305	—	(783,037)	5,481,273
Total other capital assets	<u>38,044,360</u>	<u>1,016,547</u>	<u>—</u>	<u>(783,037)</u>	<u>38,277,870</u>
Less accumulated depreciation for					
Land improvements	(1,037,631)	(93,750)	—	—	(1,131,381)
Building and facilities	(7,113,359)	(765,700)	—	—	(7,879,059)
Equipment and vehicles	(4,583,364)	(453,375)	—	772,461	(4,264,278)
Total accumulated depreciation	<u>(12,734,354)</u>	<u>(1,312,825)</u>	<u>—</u>	<u>772,461</u>	<u>(13,274,718)</u>
Other capital assets, net	<u>\$ 25,310,006</u>	<u>\$ (296,278)</u>	<u>\$ —</u>	<u>\$ (10,576)</u>	<u>\$ 25,003,152</u>
Total Capital Assets, net	<u>\$ 26,286,164</u>	<u>\$ (296,278)</u>	<u>\$ —</u>	<u>\$ (10,576)</u>	<u>\$ 25,979,310</u>

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated					
Land	\$ 874,082	\$ —	\$ —	\$ —	\$ 874,082
Library holdings	102,076	—	—	—	102,076
Construction in progress	1,120,529	145,544	(1,266,073)	—	—
Total capital assets not being depreciated	<u>\$ 2,096,687</u>	<u>\$ 145,544</u>	<u>\$ (1,266,073)</u>	<u>\$ —</u>	<u>\$ 976,158</u>
Other capital assets					
Land improvements	\$ 1,825,561	\$ 251,983	\$ —	\$ —	\$ 2,077,544
Building and facilities	28,594,964	422,774	1,266,073	—	30,283,811
Equipment and vehicles	5,466,070	263,637	—	(46,702)	5,683,005
Total other capital assets	<u>35,886,595</u>	<u>938,394</u>	<u>1,266,073</u>	<u>(46,702)</u>	<u>38,044,360</u>
Less accumulated depreciation for					
Land improvements	(945,193)	(92,438)	—	—	(1,037,631)
Building and facilities	(6,354,287)	(759,072)	—	—	(7,113,359)
Equipment and vehicles	(4,006,278)	(593,806)	—	16,720	(4,583,364)
Total accumulated depreciation	<u>(11,305,758)</u>	<u>(1,445,316)</u>	<u>—</u>	<u>16,720</u>	<u>(12,734,354)</u>
Other capital assets, net	<u>\$ 24,580,837</u>	<u>\$ (506,922)</u>	<u>\$ 1,266,073</u>	<u>\$ (29,982)</u>	<u>\$ 25,310,006</u>
Total Capital Assets, net	<u>\$ 26,677,524</u>	<u>\$ (361,378)</u>	<u>\$ —</u>	<u>\$ (29,982)</u>	<u>\$ 26,286,164</u>



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 4: Capital Assets, Net (Continued)

At June 30, 2012 and 2011, the cost of assets held under capital lease obligations and included in capital assets was \$13,122,797 and \$13,122,797 respectively.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The College capitalizes interest as a component of capital assets constructed for its own use. In 2012, total interest cost incurred was \$736,741 of which \$ 0 was capitalized. In 2011, total interest cost incurred was \$727,686 of which \$5,282 was capitalized.

Note 5: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012	Due Within One Year
Bonds and capital lease obligations, net of bond premium or discount					
Revenue bond payable	\$ 385,000	\$ —	\$ (85,000)	\$ 300,000	\$ 95,000
OCIA capital lease obligations	7,146,868	—	(29,167)	7,117,701	30,000
ODFA master lease revenue bonds	11,992,615	—	(580,078)	11,412,537	585,829
Notes payable	<u>394,924</u>	<u>—</u>	<u>(9,926)</u>	<u>384,998</u>	<u>14,754</u>
Total bonds and capital lease	<u>19,919,407</u>	<u>—</u>	<u>(704,171)</u>	<u>19,215,236</u>	<u>725,583</u>
Other liabilities					
Accrued compensated absences	<u>194,078</u>	<u>198,149</u>	<u>(194,078)</u>	<u>198,149</u>	<u>198,149</u>
Total other liabilities	<u>194,078</u>	<u>198,149</u>	<u>(194,078)</u>	<u>198,149</u>	<u>198,149</u>
Total long-term liabilities	<u>\$ 20,113,485</u>	<u>\$ 198,149</u>	<u>\$ (898,249)</u>	<u>\$ 19,413,385</u>	<u>\$ 923,732</u>

Long-term liability activity for the year ended June 30, 2011, was as follows:

	June 30, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Bonds and capital lease obligations, net of bond premium or discount					
Revenue bond payable	\$ 465,000	\$ —	\$ (80,000)	\$ 385,000	\$ 85,000
OCIA capital lease obligations	6,716,418	603,090	(172,640)	7,146,868	29,167
ODFA master lease revenue bonds	11,293,649	1,319,482	(620,516)	11,992,615	573,994
Notes payable	<u>1,126,841</u>	<u>4,626</u>	<u>(736,543)</u>	<u>394,924</u>	<u>11,971</u>
Total bonds and capital lease	<u>19,601,908</u>	<u>1,927,198</u>	<u>(1,609,699)</u>	<u>19,919,407</u>	<u>700,132</u>
Other liabilities					
Accrued compensated absences	<u>205,651</u>	<u>194,078</u>	<u>(205,651)</u>	<u>194,078</u>	<u>194,078</u>
Total other liabilities	<u>205,651</u>	<u>194,078</u>	<u>(205,651)</u>	<u>194,078</u>	<u>194,078</u>
Total long-term liabilities	<u>\$ 19,807,559</u>	<u>\$ 2,121,276</u>	<u>\$ (1,815,350)</u>	<u>\$ 20,113,485</u>	<u>\$ 894,210</u>



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Long-term Liabilities (Continued)

Student Center Revenue Bonds, Series 1993

The Board of Regents authorized the College to issue the Student Center Revenue Bonds, Series 1993 (the "Series 1993 Bonds") dated December 1, 1993, in the amounts of \$1,325,000. The Series 1993 Bonds mature July 1 of each year beginning July 1, 1994 through July 1, 2014, in annual amounts varying from \$35,000 to \$105,000, interest rates ranging from 5% to 8%. The remaining balance outstanding was \$300,000 and \$385,000 at June 30, 2012 and 2011, respectively. The Series 1993 Bonds are payable from pledged revenues derived from a student center fee, net revenues from the operation of the book store, student shop, food service facilities, game room and other ancillary services, and the reserve account held by the bond trustees. The College paid \$85,000 and \$80,000 in principle and \$21,198 and \$26,210 in related interest on these bonds during 2012 and 2011, respectively.

The schedule of maturities of the bonds is as follows:

Years Ending			
June 30,	Principal	Interest	Total
2013	\$ 95,000	\$ 12,763	\$ 107,763
2014	100,000	6,563	106,563
2015	<u>105,000</u>	<u>—</u>	<u>105,000</u>
	<u>\$ 300,000</u>	<u>\$ 19,326</u>	<u>\$ 319,326</u>

The trust agreements for the Revenue Bonds Series provide that bond proceeds and pledged revenues be used to establish various bond sinking funds and reserve funds (see Note 2).

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$535,000 to the College. Concurrently with the allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds.

In November 2005, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents for Higher Education allocated \$6,770,000 to the College. Concurrently with the allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In August 2010 the College's 2005 Series F lease agreement with the Oklahoma Capital Improvement Authority (OCIA) was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The College has recorded a charge of \$603,090 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$29,806 which also approximates the economic cost of the lease restructuring.

Through June 30, 2010, the College has drawn its total allotment for expenditures incurred in connection with the project. The expenditures have been capitalized as investments in capital assets in accordance with College policy. The College has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayment made.

During the years ended June 30, 2012 and 2011, OCIA made lease principal and interest payments totaling \$131,374 and \$214,163 respectively, on behalf of the College. These payments have been recorded as on-behalf OCIA contributions in the statements of revenues, expenses, and changes in net assets.

During the year ended June 30, 2012, the College recognized \$100,515 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of \$402,060. The unamortized deferred cost is included in the OCIA capital lease obligation in the accompanying financial statements.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

Future minimum lease payments under the College's obligation to the OCIA are as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 30,000	\$ 113,886	\$ 143,886
2014	217,879	304,803	522,682
2015	541,199	293,939	835,138
2016	559,591	275,012	834,603
2017	670,171	283,567	953,738
2018-2022	1,461,559	1,015,868	2,477,427
2023-2027	1,823,204	733,165	2,556,369
2028-2032	<u>1,814,097</u>	<u>230,966</u>	<u>2,045,063</u>
	<u>\$ 7,117,700</u>	<u>\$ 3,251,206</u>	<u>\$ 10,368,906</u>

Oklahoma Development Finance Authority Master Lease

In December 2004, the College entered into a 10 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2004C. The College financed \$673,771 to upgrade the College's energy management systems.

In December 2006, the College entered into a 15 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2006A. The College financed \$806,783 to upgrade the College's real property.

In December 2008, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2008A. The College received a net amount of \$985,768 (includes \$17,768 of bond premium) of the proceeds for improvements to the College's equipment.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Long-term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease (Continued)

In December 2009, the College entered into a 5 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds, Series 2009A. The College financed \$505,716, (includes \$5,716 of bond premium) for improvements to the College's technology equipment.

In December 2009, the College entered into a 25 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2009C. The College financed \$510,281, (includes \$281 of bond premium) for improvements to the College's real property.

In December 2009, the College entered into a 30 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2009D. The College financed \$8,190,000 for the purchase of real property.

In May 2010, the College entered into a 5 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Equipment Lease Revenue Bonds, Series 2010A. The College financed \$377,880, (includes \$14,880 of bond premium) for improvements to the College's equipment.

In September 2010, the College entered into a 25 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Real Property Equipment Master Lease Revenue Bonds, Series 2010A. The College financed \$599,482 (includes \$4,482 of bond premium) for improvements to the College's real property.

In September 2010, the College entered into a 25 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Taxable Real Property Equipment Master Lease Revenue Bonds, Series 2010B. The College financed \$720,000 for improvements to the College's real property.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Long-term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease (Continued)

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid \$574,583 and \$615,068 in principal, and \$485,641 and \$517,762 in related interest on these bonds during 2012 and 2011, respectively.

The College has also recorded an asset for its pro rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2012 and 2011, the unamortized bond issuance costs totaled \$217,498 and \$227,978, respectively.

The schedule of maturities of the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 585,828	\$ 467,857	\$ 1,053,685
2014	593,494	446,675	1,040,169
2015	454,948	427,021	881,969
2016	368,375	421,450	789,825
2017	373,208	404,750	777,958
2018 – 2022	2,048,709	1,809,294	3,858,003
2023 – 2027	1,762,835	1,421,843	3,184,678
2028 – 2032	2,066,536	1,023,601	3,090,137
2033 – 2037	2,276,106	512,104	2,788,210
2038 – 2042	<u>882,498</u>	<u>60,413</u>	<u>942,911</u>
	<u>\$ 11,412,537</u>	<u>\$ 6,995,008</u>	<u>\$ 18,407,545</u>



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Long-term Liabilities (Continued)

The ODFA Series 2008 bonds were issued at a premium. The College's pro rata portion of the premium was \$17,768. During 2012, the College recognized \$1,185 of amortization, leaving a balance of the unamortized bond premium of \$13,227. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Series 2009A bonds were issued at a premium. The College's pro rata portion of the premium was \$5,716. During 2012, the College recognized \$1,143 of amortization, leaving a balance of the unamortized bond premium of \$2,382. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Series 2009C bonds were issued at a premium. The College's pro rata portion of the premium was \$281. During 2012, the College recognized \$11 of amortization, leaving a balance of the unamortized bond premium of \$249. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Series 2010A bonds were issued at a premium. The College's pro rata portion of the premium was \$14,880. During 2012, the College recognized \$2,976 of amortization, leaving a balance of the unamortized bond premium of \$8,680. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Real Property Series 2010A bonds were issued at a premium. The College's pro rata portion of the premium was \$4,482. During 2012, the College recognized \$179 of amortization, leaving a balance of the unamortized bond premium of \$4,168. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

Notes Payable

In October 2005, the College entered into an \$848,000 term loan with a financial institution to finance the purchase of real estate, machinery and equipment. The loan has an initial maturity of November 2010, based on a twenty-year amortization rate of 6.5% of Wall Street Prime (3.25% at June 30, 2010). The College paid \$700,268 in principal and \$15,125 in related interest on this loan during 2011. This note was paid in full during fiscal year 2011.

In August 2007, the College entered into an interest-free \$125,030 installment payment plan for the purchase of equipment to establish the College's Artificial Insemination and Embryo Transfer Laboratory. In fiscal year 2008, the College made an initial payment of \$50,030, with the remaining \$75,000 to be paid in \$25,000 annual installments through August 2010. This plan was paid in full during the year ended June 30, 2011.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Notes Payable (Continued)

In October 2009, the College entered into a \$407,844 term loan to finance the purchase of real estate. The loan has an initial maturity of October 2014, based on a twenty-year amortization rate at 6%. This loan will be renewed at the same terms and conditions on each maturity as long as terms and conditions are met. Annual payments will approximate \$35,000 through September 2014, with a balloon payment of \$360,868 due in October 2014, unless the loan is renewed. The College paid \$9,926 and \$11,275 in principal and \$19,294 and \$23,788 in related interest on this loan during 2012 and 2011, respectively.

Scheduled principal and interest payments related to the notes at June 30, 2012, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 14,754	\$ 26,152	\$ 40,906
2014	13,493	21,570	35,063
2015	356,751	7,008	363,759
	<u>\$ 384,998</u>	<u>\$ 54,730</u>	<u>\$ 439,728</u>

Note 6: Retirement Programs

Substantially all of the College's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System (the OTRS), which is a State of Oklahoma public employee retirement system. Certain eligible employees also participate in the Supplemental Retirement Plan, a single-employer defined benefit plan. The College does not maintain the accounting records, hold the investments for, or administer the OTRS plan.

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the OTRS, a cost-sharing multiple-employer defined-benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of the OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That annual report may be obtained by writing to the OTRS, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS web site at www.trs.state.ok.us.



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 6: Retirement Programs (Continued)

Funding Policy

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012. In 2012, the College contributed the required amount of 9.5% for participating members.

The College's contributions to the OTRS for the years ended June 30, 2012 and 2011 were approximately \$567,000 and \$462,000, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2012, the State of Oklahoma contributed 3.54% of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. The College has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012 and 2011, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were approximately \$430,000 and \$356,000, respectively. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses, and changes in net assets.

Note 7: Related Party Transactions

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. On July 1, 1990, the College entered into a written agreement with the Foundation whereby the College agreed to pay for certain administrative services incurred by the Foundation. The following transactions occurred between the College and the Foundation during the years ended June 30:

	<u>2012</u>	<u>2011</u>
Scholarship funds awarded to the College	\$ <u>36,476</u>	\$ <u>50,714</u>
Payment of services to the Foundation	\$ <u>6,500</u>	\$ <u>6,500</u>



Redlands Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 8: Commitments and Contingencies

The College is party to litigation and claims arising in the normal course of business. In the opinion of management, liabilities, if any, resulting from such litigation and claims will not be material to the College.

The College conducts certain programs pursuant to various grants and contracts, which are subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies from various sources of the College.

The College participates in the Federal Family Education Loan Program (the "FFEL Program"), which includes the Federal Stafford Loan Program and Federal Parents Loan for Undergraduate Students programs. The FFEL program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the FFEL program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the years ended June 30, 2012 and 2011, approximately \$2,746,000 and \$3,128,000 of FFEL program loans were provided to College students.

Note 9: Risk Management

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omission; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays annual premiums to the pool for its tort, property, and liability insurance coverage. The Oklahoma Risk Management pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The College also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.





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

Board of Regents
Redlands Community College
El Reno, Oklahoma

We have audited the financial statements of Redlands Community College (the College) as of June 30, 2012, and for the year then ended, and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Redlands Community College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Redlands Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for expressing an opinion on the effectiveness of Redlands Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Redlands Community College's internal control over financial reporting.

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

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

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Compliance and Other Matters

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

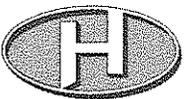
This report is intended solely for the information and use of the Board of Regents, management, others within the entity, and the United States Department of Education, and is not intended to be, and should not be, used by anyone other than these specified parties.

Hindle & Company

Tulsa, Oklahoma
September 7, 2012



Exhibit



REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2012

WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Redlands Community College Foundation, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of Redlands Community College Foundation, Inc. (a nonprofit organization) as of January 31, 2012 and the related statement of revenues, expenses, and changes in net assets – modified cash basis for the year then ended. These financial statements are the responsibility of Redland Community College Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Redlands Community College Foundation, Inc. as of January 31, 2012, and its revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.



CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
September 27, 2012

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.STATEMENT OF ASSETS, LIABILITIES, AND
NET ASSETS - MODIFIED CASH BASISJANUARY 31, 2012ASSETS

Cash and Cash Equivalents	\$ 89,581
Assets Held for Others (Note 2)	183,760
Property and Equipment, net (Note 3)	160,623
Long Term Investments (Notes 4, 7, 8)	38,062
Beneficial Interests in Assets Held by Others (Notes 5, 7, 8)	<u>440,778</u>
<u>Total Assets</u>	<u>\$ 912,804</u>

LIABILITIES AND NET ASSETSLiabilities

Assets Held for Others (Note 2)	<u>\$ 183,760</u>
<u>Total Liabilities</u>	<u>\$ 183,760</u>

Net Assets (Note 9)

Unrestricted	\$ 223,240
Temporarily Restricted	26,964
Permanently Restricted	<u>478,840</u>
<u>Total Net Assets</u>	<u>\$ 729,044</u>

<u>Total Liabilities and Net Assets</u>	<u>\$ 912,804</u>
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REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS -
MODIFIED CASH BASISFOR THE YEAR ENDED
JANUARY 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<u>Revenues, Gains and Other Support</u>				
Contributions	\$ 3,670	\$ -	\$ -	\$ 3,670
Scholarship Donations	-	30,020	30,525	60,545
Special Event Revenue	15,276	-	-	15,276
Lease Income	6,501	-	-	6,501
Investment Income, net (Note 6)	2,883	17,955	(5,502)	15,336
Net Assets Released from Restrictions (Note 9)	35,196	(35,196)	-	-
<u>Total Revenues, Gains and Other Support</u>	<u>\$ 63,526</u>	<u>\$ 12,779</u>	<u>\$ 25,023</u>	<u>\$ 101,328</u>
<u>Expenses</u>				
Scholarships Granted	\$ 36,321			\$ 36,321
Depreciation Expense	2,812			2,812
Professional Fees	500			500
Office Expenses	1,587			1,587
Travel and Entertainment	176			176
Insurance Expense	1,700			1,700
Postage and Delivery	160			160
Printing and Reproduction	596			596
Other Expenses	446			446
Fundraising Expenses	696			696
<u>Total Expenses</u>	<u>\$ 44,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,994</u>
<u>Change in Net Assets</u>	<u>\$ 18,532</u>	<u>\$ 12,779</u>	<u>\$ 25,023</u>	<u>\$ 56,334</u>
<u>Net Assets - Beginning of Year (Restated) (Note 10)</u>	<u>204,708</u>	<u>14,185</u>	<u>453,817</u>	<u>672,710</u>
<u>Net Assets - End of Year</u>	<u>\$ 223,240</u>	<u>\$ 26,964</u>	<u>\$ 478,840</u>	<u>\$ 729,044</u>

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012NATURE OF OPERATIONS

The Redlands Community College Foundation, Inc. (the Foundation) is a nonprofit organization organized in 1977 and is located in El Reno, OK. The Foundation amended its certificate of incorporation from the State of Oklahoma during September, 1991. The mission of the Foundation is to benefit, support and enhance the development and priorities of the Redlands Community College (RCC). The primary purposes of the Foundation are to fund scholarships to students attending RCC and to provide resources to supplement college operations. The efforts of the Foundation are to generate funds which shall be in alignment with the academic needs and priorities of RCC. The Foundation shall ensure integrity to meet donor expectations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESBASIS OF ACCOUNTING

The Foundation prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America. Under this method of accounting revenues are recognized when received and expenses when paid. Property and equipment items are capitalized and depreciated over their estimated useful lives.

BASIS OF PRESENTATION

In accordance with accounting principles generally accepted in the United States of America, the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted; temporarily restricted; and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. These funds represent resources over which the Board of Directors has discretionary control and are used to carry out operations in accordance with its bylaws.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that will be met, either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that neither expire with time nor can be fulfilled or otherwise removed by the actions of the Foundation.

CASH AND CASH EQUIVALENTS

The Foundation considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

INVESTMENTS

Investments are reported at fair value based on quoted market prices. Unrealized and realized gains and losses are included in the accompanying statement of revenues, expenses, and changes in net assets - modified cash basis. Investment earnings, net of related expenses, are reported as unrestricted unless specific restrictions apply.

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)PROPERTY AND EQUIPMENT

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three to ten years for equipment and furniture and fixtures and twenty years for buildings and related components.

ENDOWMENT FUNDS

The Foundation's endowment consists of 25 individual funds established for a variety of purposes. The endowment is comprised of donor-restricted endowment funds. As required by authoritative guidance, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

The Foundation invests its endowment funds with the Oklahoma City Community Foundation (OCCF). In doing so, the Foundation has inherently accepted the investment policies of the OCCF. The Foundation believes the investment policies of the OCCF, when applied to the endowment funds, facilitate the Foundation's ability to provide funding for programs and provide adequate returns for invested funds. Under the OCCF's investment policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. This investment policy expects its endowment funds, over time, to provide an average rate of return that is consistent with historical returns of assets allocated 65% equity and 35% fixed income and non-equity investments. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from the expected investment return. To satisfy its long-term rate-of-return objectives, the Foundation relies on the OCCF's investment policy, which has a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012CONTRIBUTIONS

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

USE OF ESTIMATES

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 – ASSETS HELD FOR OTHERS

Assets held for others represents the portion of assets related to RCC groups or associations in which the Foundation is the custodian. The Foundation has recorded an asset and an offsetting liability to record these funds. As of January 31, 2012, the asset consists of cash of \$121,797 and certificates of deposit of \$61,963 and is carried at fair value. The liability for assets held for others is equal to the fair value of the assets.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of January 31, 2012:

Land	\$ 157,000
Building	118,753
Equipment	29,458
Furniture and Fixtures	<u>17,844</u>
	\$ 323,055
Less Accumulated Depreciation	<u>162,432</u>
<u>Total Property and Equipment, Net</u>	<u>\$ 160,623</u>

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012NOTE 4 – LONG TERM INVESTMENTS

Long term investments are permanently restricted funds that are held temporarily until suitable long-term investment opportunities are identified. Long term investments consist of the following as of January 31, 2012:

Cash and Cash Equivalents	\$ 30,802
Certificates of Deposit	3,288
Mutual Funds	<u>3,972</u>
	<u>\$ 38,062</u>

NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Endowed funds are held at the Oklahoma City Community Foundation (OCCF). OCCF is a not-for-profit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions into the endowment fund are permitted by the Foundation, as well as individual donors in the community who designate the beneficiary of their contributions. Distributions from the endowment earnings are paid annually to the Foundation according to the OCCF's spending policy. The Foundation has authorized the OCCF to manage the endowment, effectively giving variance power to the OCCF. As the Foundation designated itself beneficiary for the endowment, the endowed funds contributed by the Foundation and the earnings thereon, net of distributions received, are reflected as beneficial interest in assets held by others in the amount of \$440,778 as of January 31, 2012. The endowed funds contributed by third party donors held by the OCCF designated for the benefit of the Foundation were \$100,892 as of January 31, 2012, and are not reflected in the Foundation's statement of assets, liabilities, and net assets – modified cash basis.

NOTE 6 – INVESTMENT INCOME

Investment income, net of investment expenses, for the year ended January 31, 2012 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Interest and Dividends				
Cash and Cash Equivalents	\$ 415	\$ -	\$ -	\$ 415
Certificates of Deposit	-	16	31	47
Mutual Funds: High Yield Bond Funds	-	229	-	229
Beneficial Interest in Assets Held By Others	<u>2,468</u>	<u>17,710</u>	<u>-</u>	<u>20,178</u>
Total Interest and Dividends	<u>\$ 2,883</u>	<u>\$ 17,955</u>	<u>\$ 31</u>	<u>\$ 20,869</u>
Realized and Unrealized Gain (Loss), Net				
Mutual Funds: High Yield Bond Funds	\$ -	\$ -	\$ (445)	\$ (445)
Beneficial Interest in Assets Held By Others	-	-	<u>(5,088)</u>	<u>(5,088)</u>
Total Realized and Unrealized Gain (Loss), Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,533)</u>	<u>\$ (5,533)</u>
Investment Income, Net	<u>\$ 2,883</u>	<u>\$ 17,955</u>	<u>\$ (5,502)</u>	<u>\$ 15,336</u>

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012NOTE 7 – FAIR VALUE MEASUREMENTS

Inputs used to measure fair value are organized into a fair value hierarchy based on how observable the inputs are. Level 1 inputs consist of quoted prices in active markets for identical assets. Level 2 inputs are inputs other than quoted prices for similar assets that are observable. Level 3 inputs are unobservable inputs.

The Foundation's assets reported at fair value on a recurring basis as of January 31, 2012 are summarized as follows:

	<u>LEVEL 1</u> <u>INPUTS</u>	<u>LEVEL 2</u> <u>INPUTS</u>	<u>LEVEL 3</u> <u>INPUTS</u>
Mutual Funds: High Yield Bond Funds	\$ 3,972	\$ -	\$ -
Beneficial Interest in Assets Held By Others (Note 5)	440,778	-	-
	<u>\$ 444,750</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 – ENDOWMENT FUNDS

Endowment net assets include permanently restricted cash and cash equivalents, certificates of deposit, mutual funds, and beneficial interests in assets held by others.

Endowment net asset composition by type of fund as of January 31, 2012 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY</u> <u>RESTRICTED</u>	<u>PERMANENTLY</u> <u>RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets by Type of Fund</u>				
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 478,840	\$ 478,840
<u>Total Endowment Net Assets by Type of Fund</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,840</u>	<u>\$ 478,840</u>

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012NOTE 8 – ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended January 31, 2012 is as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets, Beginning of Year</u>	\$ -	\$ -	\$ 453,817	\$ 453,817
<u>Investment Return:</u>				
Investment Income	\$ -	\$ -	\$ 276	\$ 276
Net Appreciation (Realized and Unrealized)	-	-	10,782	10,782
<u>Total Investment Return</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,058</u>	<u>\$ 11,058</u>
<u>Endowment Contributions</u>	\$ -	\$ -	\$ 30,525	\$ 30,525
<u>Appropriation of Endowment Assets for Expenditure</u>	\$ -	\$ -	\$ (16,560)	\$ (16,560)
<u>Total Endowment Funds at January 31, 2012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,840</u>	<u>\$ 478,840</u>

NOTE 9 – NET ASSETS

Net assets are available to be used for the following purposes as of January 31, 2012.

<u>Unrestricted Net Assets</u>		
Net Investment in Property and Equipment		\$ 160,623
Undesignated		<u>62,617</u>
<u>Total Unrestricted Net Assets</u>		\$ 223,240
<u>Temporarily Restricted Net Assets</u>		
Scholarships		26,964
<u>Permanently Restricted Net Assets</u>		
Program Endowment Fund - With Income Restricted for Scholarships		<u>478,840</u>
		<u>\$ 729,044</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of scholarships.

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSJANUARY 31, 2012NOTE 10 – NET ASSET RESTATEMENT

Net assets as of January 31, 2011 were restated as follows:

Unrestricted net assets of \$38,090 and temporarily restricted net assets of 24,457 were reclassified to permanently restricted net assets to properly reflect assets that were designated by donors to fund endowments. Temporarily restricted net assets were reduced \$257,815 in order to remove agency transactions recorded in the statement of revenue, expenses, and changes in net assets – modified cash basis in prior years.

The following is a columnar representation of the restatement of net assets:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Net Assets - Beginning of Year, As Reported	\$ 203,708	\$ 335,547	\$ 391,270	\$ 930,525
Donor-Designated Funds for Endowments	1,000	(63,547)	62,547	-
Agency Transactions Recognized as Income in Prior Years	-	(257,815)	-	(257,815)
<u>Net Assets - Beginning of Year, Restated</u>	<u>\$ 204,708</u>	<u>\$ 14,185</u>	<u>\$ 453,817</u>	<u>\$ 672,710</u>

NOTE 11 – TAX EXEMPT STATUS

The Foundation has qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) under a final ruling by the Internal Revenue Service dated May, 1977. Donations, bequests, legacies, transfers, or gifts to the Foundation are deductible for federal income tax purposes. The Foundation has no excise or unrelated business income and therefore no provision is necessary for income taxes.

Management has reviewed the Foundation's tax positions and concluded that there are no uncertain tax positions that require accrual in the financial statements or disclosure in the footnotes to be in compliance with authoritative literature. Generally, the Foundation is no longer subject to income tax examination by federal, state or local tax authorities for years prior to the fiscal year ended January 31, 2009.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. As of January 31, 2012, The Foundation had funds totaling \$7,032 in excess of federally insured limits that are subject to credit risk. The Foundation places its cash and cash equivalents with high credit quality financial institutions and, therefore, does not believe significant credit risk exists with these deposits.

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JANUARY 31, 2012

NOTE 13 – RELATED PARTY TRANSACTIONS

The Foundation leases certain properties to Redlands Community College on an annual basis. Lease income for the year ended January 31, 2012 totaled \$6,501.

NOTE 14 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 27, 2012, the date the financial statements were available to be issued.



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Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards

Board of Regents
Redlands Community College
El Reno, Oklahoma

Compliance

We have audited the compliance of Redlands Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above, is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a major federal program identified in the Schedule of Findings and Questioned Costs. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the Redlands Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1.

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Internal Control Over Compliance

The management of Redlands Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Redlands Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Redlands Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Redland Community College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Redlands Community College's responses and, accordingly, we express no opinion on the responses.



Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Redlands Community College as of and for the year ended June 30, 2012, and have issued our report thereon dated September 7, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of, management, the board of regents, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Company PC

Tulsa, Oklahoma
September 7, 2012



Redlands Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Assistance		
Federal Pell Grant	84.063	\$ 3,463,107
Federal Supplemental Education Opportunity Grant	84.007	27,800
Federal Family Education Loans	84.032	2,746,229
Federal Work Study	84.033	42,539
Federal Academic Competitiveness Grant	84.375A	—
Total Student Financial Aid Cluster		<u>6,279,675</u>
TRIO Program Cluster		
Upward Bound	84.047A	255,960
Veterans Upward Bound	84.047V	260,121
Student Support Services	84.042A	251,182
Total TRIO Program Cluster		<u>767,263</u>
United States Department of Education – Other Programs		
Carl Perkins Vocational & Technical Funds	84.048	66,217
Carl Perkins Tech Prep	84.243	26,425
Strengthening Minority-Serving Institutions (NASNTI)	84.382C	215,009
		<u>307,651</u>
Total U.S. Department of Education		<u>7,354,589</u>
U.S. Department of Health and Human Services		
Passed through OSHRE		
Temporary Assistance to Needy Families	93.558	268,023
AHEC – Scholars for Excellence in Child Care	93.596	67,551
Total OSHRE		<u>335,574</u>
Passed through Area Agency on the Aging		
Title III-B	93.044	79,640
Title III-C	93.045	240,192
Title III-D	93.043	1,650
Title III-E	93.052	8,000
NSIP	93.053	21,107
Total Area Agency on the Aging		<u>350,589</u>
National Institute for Health and Human Services		
East Central University		
Initiative for Minority Students: Bridges to Baccalaureate Degree	93.960	10,067
Total Initiative for Minority Students		<u>10,067</u>
Total U.S. Department of Health and Human Services		<u>\$ 696,230</u>



Redlands Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce		
Oklahoma Manufacturing Alliance	11.611	<u>85,857</u>
Total U.S. Department of Commerce		<u>85,857</u>
U.S. Department of Housing & Urban Development		
FY2009 EDI-Special Project No. B-09-SP-OK-0390	14.251	<u>95,000</u>
Total U.S. Department of HUD		<u>95,000</u>
National Science Foundation		
Passed through Missouri State University VESTA	47.076	69,796
Passed through the University of Central Oklahoma STEM Talent Expansion Program	47.076	<u>2,000</u>
Total National Science Foundation		<u>71,796</u>
TOTAL EXPENDITURES FOR FEDERAL AWARDS		<u>\$ 8,303,472</u>



Redlands Community College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1: Summary of Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal awards activity of Redlands Community College (the College) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented, in or used in the preparation of, the basic financial statements.

Note 2: Federal Family Education Loan Program

The College participates in the Federal Family Education Loan Program, CFDA Number 84.032 (the FFEL Program), which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate students. The FFEL Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies.

Note 3: Subrecipients

During the year ended June 30, 2012, the College did not provide any federal awards to subrecipients.



Redlands Community College
Schedule of Findings and Questioned Costs
June 30, 2012

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The College's major program was:

Program/Cluster	CFDA Number
Student Financial Aid Cluster	84.063, 84.032, 84.033, 84.007 and 84,375A
Area Wide Aging Cluster	93.043, 93.044, 93.045, 93.052, 93.053

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.

9. The College does qualify as a low-risk auditee as defined by OMB Circular A-133.



Redlands Community College
Schedule of Findings and Questioned Costs
June 30, 2012

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Finding 2012- 1

Federal Program

CFDA 84.032 – Federal Family Education Loan Program

Compliance Requirement

Return of Title IV Funds

Type of Finding: Significant Deficiency that is not considered to be a material weakness.

Criteria: The regulations in 34 CFR 668.22 state that a school must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew.

Condition: For the year ended June 30, 2012, we sampled 60 Title IV fund recipients for testing the financial aid compliance requirements for loan disbursements. However, of those who received loan disbursements, but later withdrew, we noted 5 instances of non-compliance in that the institution did not meet the compliance requirement to return the Title IV funds within the 45 day time period.

Cause: The individual assigned to area of work was not completing the Return of Title IV Calculation Worksheets in a timely manner.

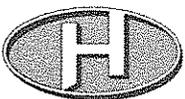
Effect: As a result, the college did not meet the return of Title IV funds within the 45 day requirement.

Recommendation: For the college to review every 20 days, all students who have withdrawn to ensure that when refunds of Title IV funds are required, that the return of Title IV funds are returned within the proper time period.

Responsible Official's Response and Corrective Action Planned: Management has created a mandatory review of the known withdrawals every 20 days by the financial aid director.

Implementation Date of Corrective Action: July 1, 2012

Person responsible for Corrective Action: Financial Aid Director



**Redlands Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Prior Year Findings

None

