

Redlands Community College

**Financial Statements
with Independent Auditors' Reports**

June 30, 2010 and 2009



Redlands Community College
Table of Contents
June 30, 2010 and 2009

Management’s Discussion and Analysis i

Financial Statements

Independent Auditors’ Report 1
Statements of Net Assets 3
Statements of Revenues, Expenses, and Changes in Net Assets..... 4
Statements of Cash Flows 5
Notes to Financial Statements 7

Reports Required by Government Auditing Standards

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* 26

Redlands Community College Foundation..... Exhibit

Reports Required by OMB Circular A-133

Independent Auditors’ Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance in Accordance
with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards 27

Schedule of Expenditures of Federal Awards 29
Notes to Schedule of Expenditures of Federal Awards 31

Schedule of Findings and Questioned Costs 33
Summary Schedule of Prior Audit Findings..... 34



**Redlands Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

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, 2010. 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, 2010, the College's net assets were \$7,549,621, which reflects a decrease of \$423,962 over last year. Operating revenue including tuition and fees, federal and state grants and contracts, and auxiliary enterprises totaled \$4,749,026. Net non-operating revenues totaled \$9,764,303, which includes governmental appropriations, non-operating federal and state grants, interest earned, and interest and miscellaneous expense. Operating expenses totaled \$16,592,759, 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
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

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 last two years the College has been funded at approximately $\frac{3}{4}$ 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
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

**Comparison of Net Assets
For Fiscal Year Ended June 30, 2010**

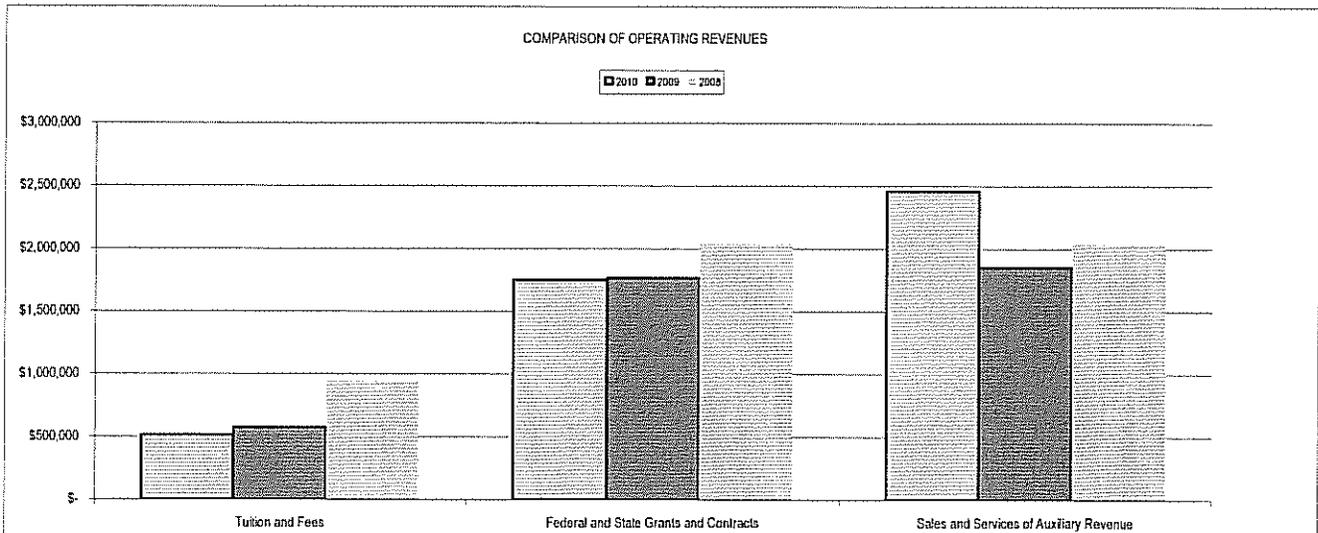
	2010	2009	2008
ASSETS:			
Current Assets	\$ 1,381,848	\$ 1,496,746	\$ 1,415,588
Noncurrent Assets:			
Capital Assets, Net of Depreciation	26,677,524	17,558,355	16,698,846
Receivable from State Agencies	561,322	147,891	911,608
Other	445,596	245,982	226,446
Total Assets	\$ 29,066,290	\$ 19,448,974	\$ 19,252,488
LIABILITIES:			
Current Liabilities	\$ 3,523,319	\$ 1,672,772	\$ 1,765,564
Noncurrent Liabilities:			
Note Payable	390,296	748,856	815,121
Capital Lease Obligations	17,031,534	8,409,483	7,782,997
Premium on OCIA capital lease obligation	155,498	163,683	171,866
Premium on ODFA master lease obligation	29,853	15,597	-
Revenue Bonds	385,000	465,000	545,000
Total Liabilities	\$ 21,515,500	\$ 11,475,391	\$ 11,080,548
NET ASSETS:			
Invested in Capital Assets, Net	7,475,568	7,794,213	7,654,876
Restricted	323,321	413,847	306,154
Unrestricted	(249,268)	(234,477)	210,910
Total Net Assets	<u>\$ 7,549,621</u>	<u>\$ 7,973,583</u>	<u>\$ 8,171,940</u>

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
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

**COMPARISON OF OPERATING RESULTS
For Fiscal Year Ended June 30, 2010**

	2010	2009	2008
OPERATING REVENUE			
Tuition and Fees	\$ 516,611	\$ 575,640	\$ 949,156
Federal and State Grants and Contracts	1,754,244	1,767,555	2,041,446
Sales and Services of Auxiliary Revenue	2,463,754	1,853,799	2,036,443
Other Operating Revenues	<u>14,418</u>	<u>17,491</u>	<u>13,465</u>
Total Operating Revenue	4,749,026	4,214,485	5,040,510
Less: Operating Expenses	<u>(16,592,759)</u>	<u>(14,938,667)</u>	<u>(14,472,619)</u>
Net Operating Revenue (Loss)	\$ (11,843,733)	\$ (10,724,182)	\$ (9,432,109)
NONOPERATING REVENUE			
State Appropriations	5,797,096	6,193,338	5,743,330
State Appropriations - ARRA	440,511	-	-
On-behalf payments for OTRS	305,000	357,000	344,000
Federal and State grants - non-operating	3,928,901	2,858,460	2,334,134
Investment Income	-	583	2,947
Interest on Capital Debt & Misc. Expense	<u>(707,205)</u>	<u>(499,793)</u>	<u>(160,380)</u>
Net Nonoperating Revenue (Loss)	\$ 9,764,303	\$ 8,909,588	\$ 8,264,031
OTHER REVENUES	\$ 1,656,637	\$ 1,616,237	\$ 1,153,670
NET ASSETS			
Change in Net Assets	(422,793)	(198,357)	(14,408)
Net Assets, Beginning of Year	<u>7,973,583</u>	<u>8,171,940</u>	<u>8,186,348</u>
Net Assets, End of Year	\$ 7,550,790	\$ 7,973,583	\$ 8,171,940



**Redlands Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

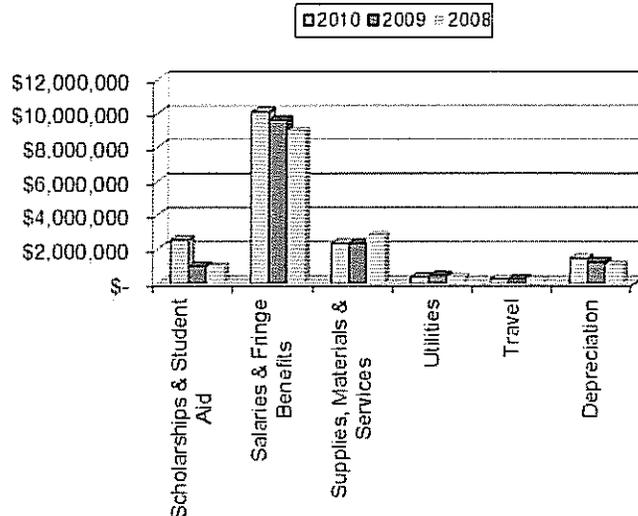
**CASH FLOWS
For Fiscal Year Ended June 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Provided (used) by:			
Operating Activities	\$ (9,875,608)	\$ (9,160,490)	\$ (8,663,093)
Non-Capital Financing Activities	10,161,742	9,030,671	8,066,789
Capital and Related Financing	(267,451)	281,749	315,817
Investing Activities	<u>2,400</u>	<u>(2,186)</u>	<u>657</u>
Net Increase (Decrease) in Cash	21,083	149,744	(279,830)
Cash, Beginning of Year	<u>484,827</u>	<u>335,083</u>	<u>614,913</u>
Cash, End of Year	<u>\$ 505,910</u>	<u>\$ 484,827</u>	<u>\$ 335,083</u>

**COMPARISON OF OPERATING EXPENSES
For Fiscal Year Ended June 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING EXPENSE			
Scholarships & Student Aid	\$ 2,537,572	\$ 1,010,377	\$ 993,122
Salaries & Fringe Benefits	9,640,012	9,615,563	8,955,076
Supplies, Materials & Services	2,346,184	2,359,722	2,825,719
Utilities	364,315	457,439	367,079
Travel	244,522	231,885	258,973
Depreciation	<u>1,460,154</u>	<u>1,263,681</u>	<u>1,072,650</u>
Total Operating Expenses	<u>\$ 16,592,759</u>	<u>\$ 14,938,667</u>	<u>\$ 14,472,619</u>

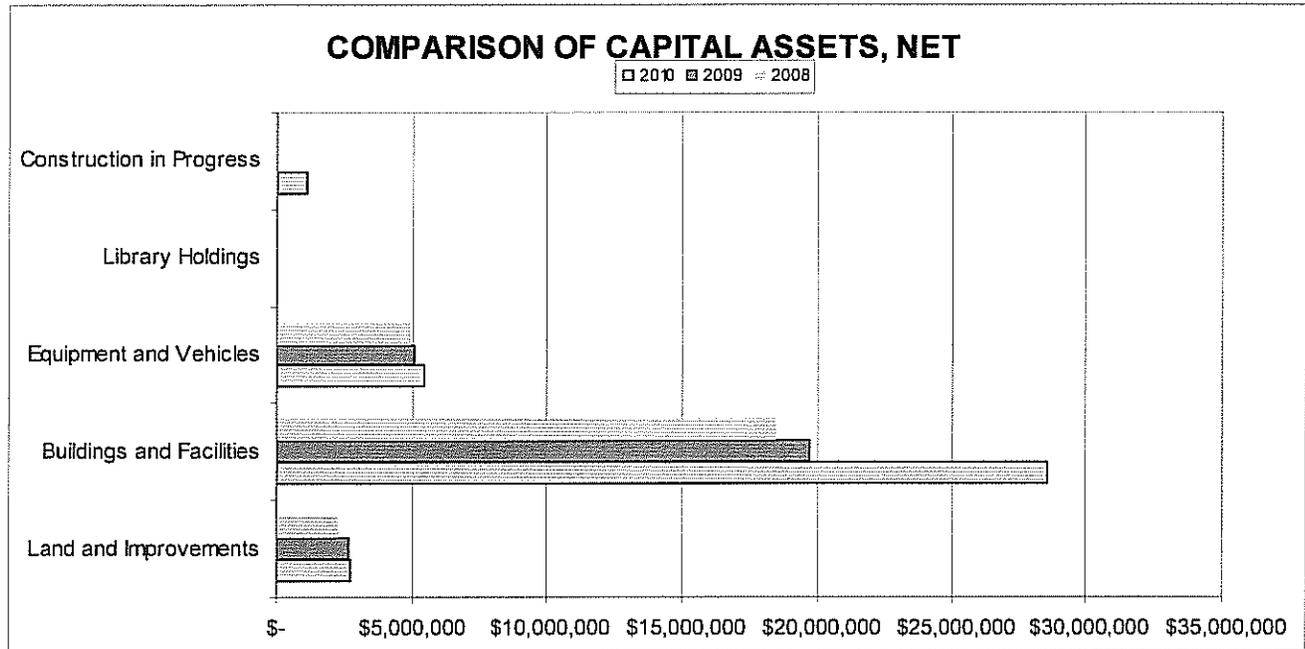
COMPARISON OF OPERATING EXPENSES



**Redlands Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

**COMPARISON OF CAPITAL ASSETS, NET
For Fiscal Year Ended June 30, 2010**

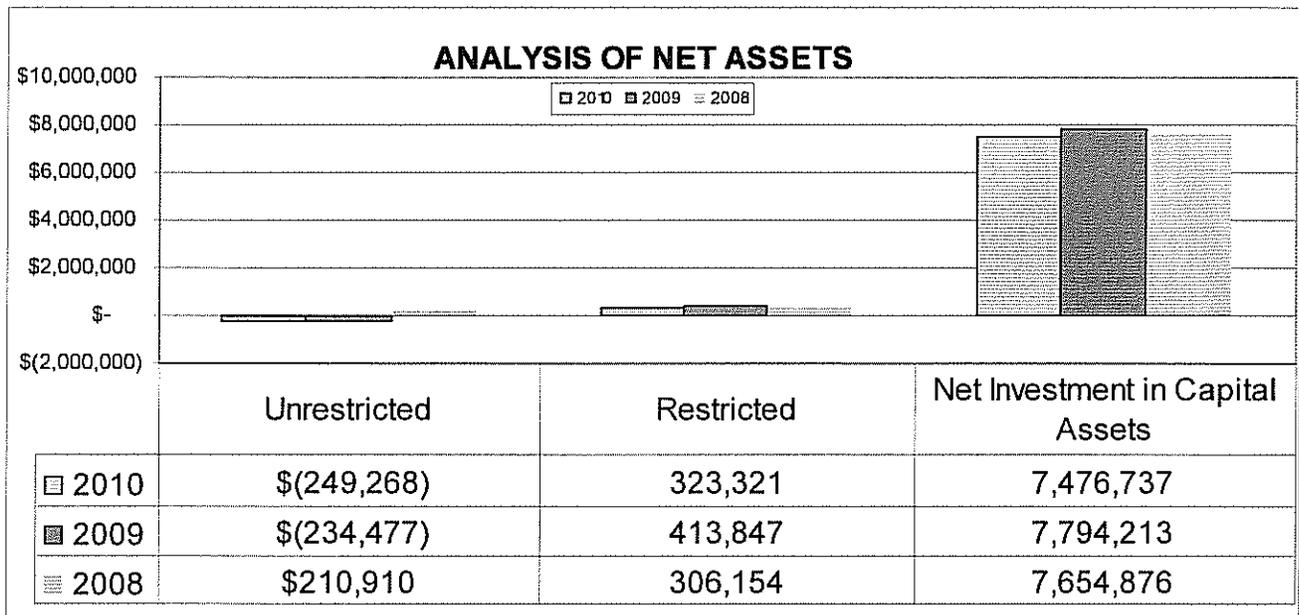
	<u>2010</u>	<u>2009</u>	<u>2008</u>
CAPITAL ASSETS			
Land and Improvements	\$ 2,699,644	\$ 2,643,793	\$ 2,305,551
Buildings and Facilities	28,594,965	19,723,147	18,460,134
Equipment and Vehicles	5,466,071	5,131,696	4,970,979
Library Holdings	102,076	102,076	102,076
Construction in Progress	<u>1,120,529</u>	<u>-</u>	<u>-</u>
Total Capital Assets	<u>37,983,284</u>	<u>27,600,712</u>	<u>25,838,740</u>
Less Accumulated Depreciation	<u>(11,305,760)</u>	<u>(10,042,357)</u>	<u>(9,139,894)</u>
Net Capital Assets	<u>\$ 26,677,524</u>	<u>\$ 17,558,355</u>	<u>\$ 16,698,846</u>



**Redlands Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2010**

**ANALYSIS OF NET ASSETS
For Fiscal Year Ended June 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
NET ASSETS			
Unrestricted	\$ (249,268)	\$ (234,477)	\$ 210,910
Restricted	323,321	413,847	306,154
Invested in Capital Assets, Net	<u>7,476,737</u>	<u>7,794,213</u>	<u>7,654,876</u>
Net Capital Assets	<u>\$ 7,550,790</u>	<u>\$ 7,973,583</u>	<u>\$ 8,171,940</u>





**HINKLE &
COMPANY**
PLLC
*Strategic
Business Advisors*

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, 2010 and 2009, 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 \$1,150,023 and \$1,127,961 at June 30, 2010 and 2009, 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.

5110 S. Yale, Ste. 100
Tulsa, OK 74135
TEL: 918.492.3388
FAX: 918.492.4443
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, 2010 and 2009, 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 October 8, 2010, 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.

Hinkle & Company, P.C.

Tulsa, Oklahoma
October 8, 2010



Redlands Community College
Statements of Net Assets
June 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 505,910	\$ 484,827
Accounts receivable, net of allowance for doubtful accounts of \$385,903 in 2010 and \$407,389 in 2009	598,312	619,435
Grants Receivable	<u>277,626</u>	<u>392,484</u>
Total Current Assets	<u>1,381,848</u>	<u>1,496,746</u>
Noncurrent Assets		
Restricted Investments	226,815	229,215
Bond Issue Costs, net	218,781	16,767
Receivable from OCIA	—	20,573
Receivable from ODFA	561,322	127,318
Capital assets, net of accumulated depreciation	<u>26,677,524</u>	<u>17,558,355</u>
Total Noncurrent Assets	<u>27,684,442</u>	<u>17,952,228</u>
Total Assets	<u>29,066,290</u>	<u>19,448,974</u>
LIABILITIES		
Current Liabilities		
Accounts payable	742,096	599,071
Accrued expenses	40,930	42,828
Accrued Interest	24,041	25,222
Accrued compensated absences	205,651	185,477
Deferred revenue	423,037	352,518
Long-term liabilities, current portion	1,609,727	446,716
Deposits held in custody for others	<u>477,837</u>	<u>20,940</u>
Total Current Liabilities	<u>3,523,319</u>	<u>1,672,772</u>
Noncurrent Liabilities		
Long term liabilities	<u>17,992,181</u>	<u>9,802,619</u>
Total Noncurrent Liabilities	<u>17,992,181</u>	<u>9,802,619</u>
Total Liabilities	<u>21,515,500</u>	<u>11,475,391</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,476,737	7,794,213
Restricted for		
Debt service	226,815	229,215
Donor restrictions	96,506	184,632
Unrestricted	<u>(249,268)</u>	<u>(234,477)</u>
Total Net Assets	<u>\$ 7,550,790</u>	<u>\$ 7,973,583</u>



Redlands Community College
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Operating Revenues		
Student tuition and fees, net of scholarship allowances of \$2,697,000 for 2010 and \$2,083,000 for 2009	\$ 516,611	\$ 575,640
Federal and state grants and contracts	1,754,243	1,767,555
Sales and services of auxiliary activities (revenues of \$151,000 in 2010 and \$122,000 in 2009 are pledged as security for the 1993 Student Center Revenue Bonds)	2,463,754	1,853,799
Other operating revenues	<u>14,418</u>	<u>17,491</u>
Total Operating Revenues	<u>4,749,026</u>	<u>4,214,485</u>
Operating Expenses		
Compensation	9,640,012	9,615,563
Supplies and materials	2,329,757	2,344,568
Depreciation	1,460,154	1,263,681
Utilities	364,315	457,439
Travel	244,522	231,885
Scholarships and fellowships	2,537,572	1,010,377
Other operating expenses	<u>16,427</u>	<u>15,154</u>
Total Operating Expenses	<u>16,592,759</u>	<u>14,938,667</u>
Operating Loss	<u>(11,843,733)</u>	<u>(10,724,182)</u>
Nonoperating Revenues (Expenses)		
State appropriations	5,797,096	6,193,338
State appropriations - ARRA	440,511	—
Federal and state grants	3,928,901	2,858,460
On-behalf Teachers' Retirement System contributions	305,000	357,000
Other operating expenses	(4,766)	(21,127)
Investment income	—	583
Interest expense	<u>(702,439)</u>	<u>(478,666)</u>
Net Nonoperating Revenues	<u>9,764,303</u>	<u>8,909,588</u>
Loss Before Other Revenues, Expenses, Gains, and Losses	<u>(2,079,430)</u>	<u>(1,814,594)</u>
Other Revenues, Expenses, Gains, and Losses		
On-behalf Oklahoma Capital Improvement Authority contributions	488,767	492,460
Capital appropriations	<u>1,167,870</u>	<u>1,123,777</u>
Other Revenues and Gains	<u>1,656,637</u>	<u>1,616,237</u>
Change in Net Assets	(422,793)	(198,357)
Net Assets at Beginning of Year	<u>7,973,583</u>	<u>8,171,940</u>
Net Assets at End of Year	<u>\$ 7,550,790</u>	<u>\$ 7,973,583</u>



Redlands Community College
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Tuition and fees	\$ 608,576	\$ 891,399
Grants and contracts	1,869,102	1,552,377
Payments to employees	(9,312,940)	(9,228,045)
Payments to vendors	(5,518,195)	(4,271,017)
Auxiliary enterprise	2,463,431	1,876,979
Other receipts	14,418	17,817
Net Cash Used in Operating Activities	(9,875,608)	(9,160,490)
Noncapital Financing Activities		
State appropriations	5,797,096	6,193,338
State appropriations - ARRA	440,511	—
Federal and state grants	3,928,901	2,858,460
Federal Family Education Loan receipts	2,877,728	2,774,564
Federal Family Education Loan disbursements	(2,877,728)	(2,774,564)
Agency transactions, net	(4,766)	(21,127)
Net Cash Provided by Noncapital Financing Activities	10,161,742	9,030,671
Capital and Related Financing Activities		
Capital appropriations	1,167,870	1,123,777
Payments on bonds and lease payable	(860,612)	(431,254)
Proceeds from capital lease obligations	9,369,412	1,722,935
Purchases of capital assets	(9,944,121)	(2,133,709)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(267,451)	281,749
Investing Activities		
Sales and maturities of investments	2,400	(2,769)
Interest on investments	—	583
Net Cash Provided by (Used in) Investing Activities	2,400	(2,186)
Net Increase in Cash	21,083	149,744
Cash and Cash Equivalents at Beginning of Year	484,827	335,083
Cash and Cash Equivalents at End of Year	\$ 505,910	\$ 484,827



Redlands Community College
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

(Continued)

	2010	2009
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (11,843,733)	\$ (10,724,182)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	1,460,154	1,263,681
On-behalf Teachers' Retirement System contributions	305,000	357,000
Loss on disposal of assets	6,618	21,127
Changes in assets and liabilities		
Receivables, net	135,982	68,586
Student loans	—	—
Accounts payable	(447,885)	(246,172)
Accrued expenses	417,563	18,306
Compensated Absences	20,174	25,663
Deferred revenues	70,519	55,501
Net Cash Used in Operating Activities	\$ (9,875,608)	\$ (9,160,490)
Supplemental Cash Flow Information		
Accounts payable related to capital assets	\$ 587,115	\$ 2,608
Principal and interest paid by OCIA	\$ 488,767	\$ 492,460
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Current cash and cash equivalents	\$ 505,910	\$ 484,827
Noncurrent cash and cash equivalents	—	—
	\$ 505,910	\$ 484,827



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

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.

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, 2010 and 2009

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, 2010 and 2009

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, 2010 and 2009

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 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. 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.

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.



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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, 2010 and 2009

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 October 8, 2010, 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, 2010 and 2009

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, 2010 and 2009, the carrying amount of the College's deposits was \$504,741 and \$40,527, respectively. These amounts consisted of deposits with the State Treasurer \$504,741 and \$40,527 at June 30, 2010 and 2009, 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, 2010 and 2009

Note 2: Deposits and Investments (Continued)

Investment maturities were as follows at June 30, 2010 and 2009 respectively:

2010 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market	226,815	226,815	—	—	—	—
	\$ 226,815	\$ 226,815	\$ —	\$ —	\$ —	\$ —

2009 Investment Type	Fair Market	Investment Maturities (in Years)				
		Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market	229,215	229,215	—	—	—	—
	\$ 229,215	\$ 229,215	\$ —	\$ —	\$ —	\$ —

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:

	2010	2009
Student tuition and fees	\$ 970,273	\$ 1,013,206
Auxiliary enterprises and other operating activities	13,941	13,618
	984,214	1,026,824
Less allowance for doubtful accounts	(385,903)	(407,389)
	\$ 598,311	\$ 619,435

The College also has \$561,322 and \$147,891 of receivables restricted for capital projects as of June 30, 2010 and 2009, respectively, which relate to private gifts and governmental grants and contracts for ongoing and planned capital projects at the College. These receivable balances are classified as noncurrent assets in the statements of net assets as they are restricted for long-term purposes.



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

Note 4: Capital Assets, Net

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated					
Land	\$ 832,850	\$ 41,232	\$ —	\$ —	\$ 874,082
Library holdings	102,076	—	—	—	102,076
Construction in progress	—	1,120,529	—	—	1,120,529
Total capital assets not being depreciated	<u>\$ 934,926</u>	<u>\$ 1,161,761</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,096,687</u>
Other capital assets					
Land Improvements	\$ 1,810,943	\$ 14,618	\$ —	\$ —	\$ 1,825,561
Building and facilities	19,723,147	8,871,817	—	—	28,594,964
Equipment and vehicles	5,131,696	537,745	—	(203,371)	5,466,070
Total other capital assets	<u>26,665,786</u>	<u>9,424,180</u>	<u>—</u>	<u>(203,371)</u>	<u>35,886,595</u>
Less accumulated depreciation for					
Land Improvements	(865,354)	(79,839)	—	—	(945,193)
Building and facilities	(5,643,070)	(711,217)	—	—	(6,354,287)
Equipment and vehicles	(3,533,933)	(669,097)	—	196,753	(4,006,278)
Total accumulated depreciation	<u>(10,042,357)</u>	<u>(1,460,154)</u>	<u>—</u>	<u>196,753</u>	<u>(11,305,758)</u>
Other capital assets, net	<u>\$ 16,623,429</u>	<u>\$ 7,964,026</u>	<u>\$ —</u>	<u>\$ (6,618)</u>	<u>\$ 24,580,837</u>
Total Capital Assets, net	<u>\$ 17,558,355</u>	<u>\$ 9,125,787</u>	<u>\$ —</u>	<u>\$ (6,618)</u>	<u>\$ 26,677,524</u>

Following are the changes in capital assets for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Transfers	Retirements	Balance June 30, 2009
Capital assets not being depreciated					
Land	\$ 832,850	\$ —	\$ —	\$ —	\$ 832,850
Library holdings	102,076	—	—	—	102,076
Construction in progress	—	—	—	—	—
Total capital assets not being depreciated	<u>\$ 934,926</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 934,926</u>
Other capital assets					
Land Improvements	\$ 1,472,701	\$ 338,242	\$ —	\$ —	\$ 1,810,943
Building and facilities	18,460,134	1,263,013	—	—	19,723,147
Equipment and vehicles	4,970,979	543,062	—	(382,345)	5,131,696
Total other capital assets	<u>24,903,814</u>	<u>2,144,317</u>	<u>—</u>	<u>(382,345)</u>	<u>26,665,786</u>
Less accumulated depreciation for					
Land Improvements	(786,246)	(79,108)	—	—	865,354
Building and facilities	(5,153,648)	(489,422)	—	—	5,643,070
Equipment and vehicles	(3,200,000)	(695,150)	—	361,217	3,533,933
Total accumulated depreciation	<u>(9,139,894)</u>	<u>(1,263,680)</u>	<u>—</u>	<u>361,217</u>	<u>10,042,357</u>
Other capital assets, net	<u>\$ 15,763,920</u>	<u>\$ 880,637</u>	<u>\$ —</u>	<u>\$ (21,128)</u>	<u>\$ 16,623,429</u>
Total Capital Assets, net	<u>\$ 16,698,846</u>	<u>\$ 880,637</u>	<u>\$ —</u>	<u>\$ (21,128)</u>	<u>\$ 17,558,355</u>



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

Note 4: Capital Assets, Net (Continued)

At June 30, 2010 and 2009, the cost of assets held under capital lease obligations and included in capital assets was \$11,261,449 and \$2,320,454 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 2010, total interest cost incurred was \$715,912 of which \$13,472 was capitalized. In 2009, there was no outstanding construction in progress, and therefore, no interest was capitalized.

Note 5: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
Bonds and capital lease obligations, net of bond premium or discount					
Revenue bond payable	\$ 545,000	\$ —	\$ (80,000)	\$ 465,000	\$ 80,000
OCIA capital lease obligations	6,862,581	—	(146,163)	6,716,418	201,718
ODFA master lease revenue bonds	2,037,947	9,583,877	(328,175)	11,293,649	591,465
Notes payable	<u>803,807</u>	<u>407,844</u>	<u>(84,810)</u>	<u>1,126,841</u>	<u>736,544</u>
Total bonds and capital lease	<u>10,249,335</u>	<u>9,991,721</u>	<u>(639,148)</u>	<u>19,601,908</u>	<u>1,609,727</u>
Other liabilities					
Accrued compensated absences	<u>185,477</u>	<u>205,651</u>	<u>(185,477)</u>	<u>205,651</u>	<u>205,651</u>
Total other liabilities	<u>185,477</u>	<u>205,651</u>	<u>(185,477)</u>	<u>205,651</u>	<u>205,651</u>
Total long-term liabilities	<u>\$ 10,434,812</u>	<u>\$ 10,197,372</u>	<u>\$ (824,625)</u>	<u>\$ 19,807,559</u>	<u>\$ 1,815,378</u>

Long-term liability activity for the year ended June 30, 2009, was as follows:

	June 30, 2008	Additions	Reductions	June 30, 2009	Due Within One Year
Bonds and capital lease obligations, net of bond premium or discount					
Revenue bond payable	\$ 620,000	\$ —	\$ (75,000)	\$ 545,000	\$ 80,000
OCIA capital lease obligations	7,003,305	—	(140,724)	6,862,581	147,913
ODFA master lease revenue bonds	1,203,782	985,768	(151,603)	2,037,947	163,852
Notes payable	<u>868,567</u>	<u>—</u>	<u>(64,760)</u>	<u>803,807</u>	<u>54,951</u>
Total bonds and capital lease	<u>9,695,654</u>	<u>985,768</u>	<u>(432,087)</u>	<u>10,249,335</u>	<u>446,716</u>
Other liabilities					
Accrued compensated absences	<u>159,814</u>	<u>185,477</u>	<u>(159,814)</u>	<u>185,477</u>	<u>185,477</u>
Total other liabilities	<u>159,814</u>	<u>185,477</u>	<u>(159,814)</u>	<u>185,477</u>	<u>185,477</u>
Total long-term liabilities	<u>\$ 9,855,468</u>	<u>\$ 1,171,245</u>	<u>\$ (591,901)</u>	<u>\$ 10,434,812</u>	<u>\$ 632,193</u>



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

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 \$465,000 and \$545,000 at June 30, 2010 and 2009, 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 \$80,000 and \$75,000 in principle and \$31,030 and \$35,661 in related interest on these bonds during 2010 and 2009, respectively.

The schedule of maturities of the bonds is as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	80,000	23,790	103,790
2012	85,000	18,605	103,605
2013	95,000	12,763	107,763
2014	100,000	6,562	106,562
2015	<u>105,000</u>	<u>—</u>	<u>105,000</u>
	<u>\$ 465,000</u>	<u>\$ 61,720</u>	<u>\$ 526,720</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 (which includes \$204,602 of bond premium). 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, 2010 and 2009

Note 5: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

Through June 30, 2008, 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 repayments made.

The College has recorded a receivable totaling \$0 and \$20,573 as of June 30, 2010 and 2009, respectively, for its allotment not drawn as of the date. The receivable is inclusive of \$65 of interest earned during the year ended June 30, 2010 and \$466,933 of interest earned during previous years.

During the years ended June 30, 2010 and 2009, OCIA made lease principal and interest payments totaling \$486,212 and \$487,222, 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.

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	199,968	331,635	531,603
2012	211,358	322,549	533,907
2013	220,147	312,750	532,897
2014	233,107	301,792	534,899
2015	242,523	290,100	532,623
2016-2020	1,575,923	1,232,213	2,808,136
2021-2025	1,777,345	819,954	2,597,299
2026-2030	<u>2,256,047</u>	<u>341,185</u>	<u>2,597,232</u>
	<u>\$ 6,716,418</u>	<u>\$ 3,952,178</u>	<u>\$ 10,668,596</u>



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

Note 5: Long-term Liabilities (Continued)

The OCIA Series 1999 bonds were issued at a discount. The College's pro rata portion of the discount was \$35,000. During 2010 and 2009, the College recognized \$1,750 and \$1,750, respectively, of amortizations, leaving a balance of the unamortized bond premium of \$16,042 and \$17,792, respectively. The unamortized bond discount is included in the OCIA capital lease obligation in the accompanying financial statements.

The OCIA Series 2005 bonds were issued at a premium. The College's pro rata portion of the premium was \$204,602. During 2010 and 2009, the College recognized \$8,184 and \$8,184, respectively, of amortizations, leaving a balance of the unamortized bond premium of \$163,682 and \$171,864, respectively. The unamortized bond premium is included in the OCIA capital lease obligation in the accompanying financial statements.

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.

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.



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

Note 5: Long-term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease (continued)

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.

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 \$325,683 and \$152,833 in principal, and \$308,042 and \$77,083 in related interest on these bonds during 2010 and 2009, 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, 2010 and 2009, the unamortized bond issuance costs totaled \$218,781 and \$16,767, respectively.

The schedule of maturities of the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 591,466	473,245	1,064,711
2012	538,815	429,111	967,926
2013	556,733	413,414	970,147
2014	558,149	396,021	954,170
2015	420,852	377,944	798,796
2016 – 2020	1,740,396	1,702,755	3,443,151
2021 – 2025	1,644,557	1,362,015	3,006,572
2026 – 2030	1,587,638	1,046,383	2,634,021
2031 – 2035	1,929,212	664,261	2,593,473
2036 – 2040	<u>1,725,832</u>	<u>200,253</u>	<u>1,926,085</u>
	<u>\$ 11,293,650</u>	<u>\$ 7,065,402</u>	<u>\$ 18,359,052</u>



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

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 2010, the College recognized \$1,184 of amortization, leaving a balance of the unamortized bond premium of \$15,596. 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 2010, the College recognized \$1,048 of amortization, leaving a balance of the unamortized bond premium of \$4,668. 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 2010, the College recognized \$10 of amortization, leaving a balance of the unamortized bond premium of \$271. 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 2010, the College recognized \$248 of amortization, leaving a balance of the unamortized bond premium of \$14,632. 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 65% of Wall Street Prime (3.25% at June 30, 2010). This loan will be renewed at the same terms and conditions on each maturity as long as the existing terms and conditions are met. Annual payments will approximate \$68,000 through November 2009, with a balloon payment of \$771,345 due in November 2010, unless the loan is renewed. The College paid \$53,539 and \$39,760 in principal and \$16,390 and \$30,169 in related interest on this loan during 2010 and 2009, respectively.

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.



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

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 \$6,272 in principal and \$14,717 in related interest on this loan during 2010.

Scheduled principal and interest payments related to the notes at June 30, 2010, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 736,543	\$ 35,420	\$ 771,963
2012	11,971	23,092	35,063
2013	12,709	22,354	35,063
2014	13,493	21,570	35,063
2015	<u>352,125</u>	<u>8,745</u>	<u>360,870</u>
	<u>\$ 1,126,841</u>	<u>\$ 111,181</u>	<u>\$ 1,238,022</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.tris.state.ok.us.



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

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 2010. The College contributes the required amounts for participating members.

The College's contributions to the OTRS for the years ended June 30, 2010 and 2009 were approximately \$459,000 and \$466,000, 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 2010, 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, 2010 and 2009, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were approximately \$305,000 and \$357,000, 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>2010</u>	<u>2009</u>
Scholarship funds awarded to the College	\$ <u>83,732</u>	\$ <u>107,287</u>
Payment of services to the Foundation	\$ <u>6,500</u>	\$ <u>6,500</u>



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

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, 2010 and 2009, approximately \$2,878,000 and \$2,775,000 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.



Redlands Community College
Notes to Financial Statements
June 30, 2010 and 2009

Note 10: Recently Issued Accounting Pronouncements

In 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB No. 54 addresses how this information is reported by state and local governments. A key provision in the Statement is to improve the usefulness of the amount reported in the fund balance by providing more structured classification along with clarifying the definition of existing governmental fund types and the constraints placed on fund balances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.





**HINKLE &
COMPANY**
PLLC
*Strategic
Business Advisors*

**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, 2010, and for the year then ended, and have issued our report thereon dated October 8, 2010. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be presented 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 would not necessarily identify all deficiencies in internal control that might be 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.

5110 S. Yale, Ste. 100
Tulsa, OK 74135
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 grants, 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 use of the audit committee, management, 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.

Hindle & Company, P.C.

Tulsa, Oklahoma
October 8, 2010



Exhibit



**Redlands Community
College Foundation, Inc.
FINANCIAL STATEMENT &
INDEPENDENT AUDITOR'S REPORT
January 31, 2010 and 2009**

Karen J. Tucker
Certified Public Accountant





Karen J. Tucker, CPA

7200 S. Penn • Suite A • Oklahoma City, OK 73159
P.O. Box 891077 • Oklahoma City, OK 73189-1077
(405) 681-6420 • Fax: (405) 681-6490 • E-mail: karen@ktuckercpa.com

Independent Auditor's Report

To: Board of Directors
Redlands Community College Foundation, Inc.
1300 S. Country Club Road
El Reno, OK 73036-5304

We have audited the accompanying Statement of Financial Position arising from cash transactions of Redlands Community College Foundation, Inc. (Foundation) as of January 31, 2010 and 2009, and the related Statement of Activities of revenue collected and expenses paid for the year then ended. These financial statements are the responsibility of the Foundation'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 audits provide a reasonable basis for our opinion.

As described in Note 3, these financial statements were prepared on the basis of cash receipts and disbursements, 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 and liabilities arising from cash transactions of the Foundation as of January 31, 2010 and 2009 and its revenue collected and expenses paid during the years then ended, on the basis of accounting described in Note 3.

Karen J. Tucker, CPA

August 4, 2010

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Statement of Financial Position
Years Ending January 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Current Assets		
Cash	\$ 171,078.00	\$ 179,386.00
Certificate of Deposits	0.00	0.00
Rent Receivable	<u>6,502.00</u>	<u>6,502.00</u>
Total Unrestricted Current Assets	\$ 177,580.00	\$ 185,888.00
Temporarily Restricted Current Assets		
Cash	10,266.00	32,117.00
Certificate of Deposits	296,047.00	296,124.00
Investments	<u>0.00</u>	<u>0.00</u>
Total Temporarily Restricted Current Assets	<u>306,253.00</u>	<u>328,241.00</u>
TOTAL CURRENT ASSETS	483,833.00	514,129.00
ENDOWMENTS & SIMILAR ASSETS		
Cash	0.00	740.00
Certificate of Deposits	21,542.00	20,971.00
Contributions Receivable from Remainder Trusts	29,392.00	26,536.00
OKC Community Foundation Benefits	378,591.00	316,198.00
Stock Trust Funds	<u>4,167.00</u>	<u>3,367.00</u>
TOTAL ENDOWMENTS & SIMILAR ASSETS	433,692.00	367,812.00
PROPERTY & EQUIPMENT		
AG Trailer	10,000.00	10,000.00
Baseball Field	8,125.00	8,125.00
Gemini Center Building	118,753.00	118,753.00
Gemini Center Furniture & Artwork	17,844.00	17,844.00
Land	177,000.00	177,000.00
Office Equipment	1,333.00	1,333.00
Petree House	189,000.00	189,000.00
Petree House Furnishings & Contents	113,617.00	113,617.00
Equine Sheds	10,000.00	10,000.00
Accumulated Depreciation	<u>(413,174.00)</u>	<u>(399,652.00)</u>
TOTAL PROPERTY & EQUIPMENT	232,498.00	246,020.00
TOTAL ASSETS	\$ 1,150,023.00	\$ 1,127,961.00
LIABILITIES AND NET ASSETS		
LIABILITIES		
Cougar Crossing Security Deposits	\$ -	\$ 25,533.00
Loan - Redlands Community College	0.00	41,232.00
NET ASSETS		
CURRENT NET ASSETS		
Unrestricted Net Assets	177,580.00	185,888.00
Temporarily Restricted Net Assets	<u>306,253.00</u>	<u>261,478.00</u>
TOTAL CURRENT NET ASSETS	483,833.00	447,366.00
ENDOWMENTS AND SIMILAR NET ASSETS		
Permanently Restricted Net Assets	433,692.00	367,812.00
PLANT FUND		
Net Assets In Property & Equipment	<u>232,498.00</u>	<u>246,020.00</u>
TOTAL NET ASSETS	1,150,023.00	1,061,196.00
TOTAL LIABILITIES AND NET ASSETS	\$ 1,150,023.00	\$ 1,127,961.00

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Statement of Activities
Years Ending January 31, 2010 and 2009

	2010					2009
	UNRESTRICTED	TEMPORARILY RESTRICTED	ENDOWMENTS PERMANENTLY RESTRICTED	PLANT	TOTAL	TOTAL
REVENUES, GAINS AND OTHER SUPPORT						
Donations, Gifts & Fundraisers	\$ 6,348.00	\$ 46,744.00	\$ -	\$ -	\$ 53,092.00	\$ 93,428.00
Scholarships		71,065.00			71,065.00	187,851.00
Grants		37,320.00			37,320.00	37,225.00
Grant; OKC Community Foundation Distributions			17,342.00		17,342.00	10,592.00
Petree House		12,328.00			12,328.00	13,874.00
Miscellaneous Revenue					0.00	0.00
Dividend Income					0.00	868.00
Interest Income	490.00	5,037.00	835.00		6,362.00	16,870.00
Lease Income	6,501.00				6,501.00	6,501.00
Cougar Crossing Apartments		584,396.00			584,396.00	478,386.00
Realized Gains - Investments			67,410.00		67,410.00	623.00
Realized Losses - Investments					0.00	(745.00)
Unrealized Gains - Investments					0.00	0.00
Unrealized Losses - Investments					0.00	(129,761.00)
Net Assets Released from Restrictions					0.00	0.00
Restrictions satisfied by Payments	731,820.00	(712,113.00)	(19,707.00)		0.00	772.00
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 745,159.00	\$ 44,777.00	\$ 65,880.00	\$ -	\$ 855,816.00	\$ 716,584.00
EXPENDITURES						
Donations, Gifts & Fundraisers	\$ 60,141.00	\$ -	\$ -	\$ -	\$ 60,141.00	\$ 64,767.00
Scholarships Granted	83,732.00				83,732.00	107,287.00
Grants	37,320.00				37,320.00	37,225.00
Cougar Crossing Apartments	546,337.00				546,337.00	554,371.00
Depreciation Expense				13,522.00	13,522.00	13,554.00
Bank Service Charges					0.00	0.00
Miscellaneous	2,023.00				2,023.00	1,850.00
Office Supplies					0.00	0.00
Petree House Maintenance, Utilities & Upkeep	11,928.00				11,928.00	14,946.00
Insurance	1,700.00				1,700.00	1,700.00
Postage & Delivery	404.00				404.00	469.00
Printing & Reproduction	321.00				321.00	436.00
Professional Fees	9,561.00				9,561.00	6,950.00
Program Fees	0.00				0.00	0.00
TOTAL EXPENDITURES	753,467.00	\$ -	\$ -	13,522.00	766,989.00	803,555.00
CHANGE IN NET ASSETS	\$ (8,308.00)	\$ 44,777.00	\$ 65,880.00	\$ (13,522.00)	\$ 88,827.00	\$ (88,971.00)
NET ASSETS AT BEGINNING OF YEAR	185,888.00	261,476.00	387,812.00	246,020.00	1,061,196.00	1,148,167.00
NET ASSETS AT END OF YEAR	\$ 177,580.00	\$ 306,253.00	\$ 433,692.00	\$ 232,498.00	\$ 1,150,023.00	1,061,196.00

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Note 1: Nature of Organization

The Redlands Community College Foundation, Inc. (Foundation) is a nonprofit organization organized in 1977 and obtained 501(C)(3) status in May 1977 from the State of Oklahoma. The Foundation amended its certificate of incorporation from the State of Oklahoma on September 19, 1991. The Foundation is located at 1300 S. Country Club Road, El Reno, OK 73036-5304. 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 2: Basis of Presentation

The Foundation follows the requirements of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117, *Financial Statement of Not-For-Profit Organizations*. Under FASB Statement No. 117, the Foundation is reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a. Permanently Restricted/Endowment net assets are those that were given to the Foundation where the principal and any earnings are restricted for a particular use as designated by the donor.
- b. Temporarily Restricted net assets are those that were given to the Foundation where the principal and any earnings expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor.
- c. Unrestricted net assets are those, not included in the above categories, given to the Foundation where the principal, as well as earnings, can be used by the Foundation for whatever purpose the Foundation determines. Donor-restricted resources intended for capital projects are released and reclassified as unrestricted support when spent.

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Note 3: Basis of Accounting

The Foundation prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America.

Funds with similar characteristics have been combined for financial statement presentation.

Interest and dividend income are recognized on the cash basis.

If financials were presented on the basis of generally accepted accounting principles (GAAP), there would be no significant differences.

Note 4: Summary of Significant Accounting Policies

Financial Management Policies were approved at prior board meeting. Policies include:

- a. Board approval for any purchase or expenditure of \$5,000 or more,
- b. All disbursements over \$5,000 are required to have two (2) of the following authorized signatures; Foundation Director or Executive Director of the Foundation. Upon position change of authorized signatures, a new bank signature card shall be completed/updated;
- c. The Executive Director has signature authority on disbursements upto \$5,000; and
- d. The Secretary/Treasurer of the Foundation is to review and initial the check register and bank reconciliations on a quarterly basis.
- e. Financial reports are to be given to the Foundation Board for approval at each meeting.

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

- f. All investments are recorded at their fair market values as of January 31, 2010. An Investment Policy was prepared by Investment Committee. Policy includes but not limited to asset allocation, prohibited assets classes and transactions, evaluation and performance criteria, investment guidelines, spending policy, types of funds and earnings allocation. The investment policy may be amended from time to time at the discretion of the Board of Trustees of the Foundation. Investments are currently held in Certificate of Deposits, Remainder Trust, Northeast Investors Account and the Oklahoma City Community Foundation.

Note 5: Current Year Changes

- a. By-Law change approved in May 14, 2009 minutes, renamed "Job Description Committee" to "Board Member Agreement".
- b. Foundation approved in May 14, 2009 to refinance Cougar Crossing and transfer ownership to Redland's Community College. November 18, 2009 minutes confirmed transaction had been completed. All agreements were signed and titled was transferred on October 23, 2009. Security Deposits and Revenue Fund Balances were transferred to Redland's Community College on November 23, 2009.
- c. Established new scholarships during year.
1. "Cheryl Ross Rinehardt Memorial" on the June 11, 2009
 2. "Viticulture/Chapel Creek Wine Scholarship Fund" on July 1, 2009; and
 3. "Bailey Smith Scholarship" on January 21, 2010.

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Note 6: Annual Lease Income

LESSEE	AGREEMENT DATE	TERM	LEASE AMOUNT
Gemini Center	07/01/1996	One (1) year. Renewal or extension creates month-to-month tenancy. Termination requires ten (10) days written notice	\$ 3,000
Equine Land/Jones Land	07/01/1996	One (1) year. Renewal or extension creates month-to-month tenancy. Termination requires thirty (30) days written notice	\$ 3,000
Church Land/Baseball Field	07/01/1996	Sixty (60) Months. Renewal or extension creates month-to-month tenancy. Termination requires ten (10) days written notice	\$ 500 Rental Rate to be reviewed at end of five (5) years
Central Baptist Association Land	01/07/1980	Ninety-Nine (99) Years. Renewal or extension creates month-to-month tenancy. Termination requires thirty (30) days written notice	1 st Year – \$4,000 Thereafter, \$ 1

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Note 7: Checking Account

Checking accounts held at Rose Rock Bank, All American Bank and Bank of Union. Bank accounts are covered by F.D.I.C. insurance upto \$250,000. Checking account balances are:

BANK	2010	2009
Rose Rock Bank (Operating Account)	\$171,078.36	\$175,218.88
All American Bank (Petree Operating)	\$ 8,951.02	\$ 6,583.89
Bank of Union (Petree Endowment)	\$ 1,255.46	\$ 740.12
Rose Rock Bank (Cougar Crossing-Security Deposits)	--0--	\$ 25,532.90
Rose Rock Bank (Cougar Crossing)	--0--	\$ 4,167.18

Three (3) accounts are held at Rose Rock Bank.

1. Account for the general checking account primarily used by the Foundation. This account holds unrestricted, restricted, and endowed amounts.
2. Operating account for Cougar Crossing to handling the daily operations of the apartment complex.
3. Account to hold security deposits of tenants.

The All American Bank is the President's account approved by the RCC Board of Regents for the sole purpose of expenses related to the Petree Home. In June of each year, the RCC Board of Regents approve an allocation of funds to the Foundation to be used for utilities and other legitimate expenses of maintaining the home at 707 South Hoff in El Reno, Oklahoma known as the Petree House.

Bank of Union is a special account that holds the annual earnings from the Margaret E. Petree Endowment Fund. These earnings are for the purpose of maintaining the real and personal property owned by the RCC Foundation, Inc. at 707 South Hoff in El Reno, Oklahoma known as the Petree House. Earnings must first be applied to the payment of required insurance premiums and advalorem or personal property taxes, if required. After payment of insurance and taxes, the next \$2500 shall be allocated and designated as "President's Discretionary Maintenance Fund". The "President's Discretionary Maintenance Fund" may be expended or obligated by the college president without prior consent or approval of the RCC Foundation.

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Note 8: Certificate of Deposit

Certificate of Deposits are held at various banks. All certificates of deposits have various maturity dates and rates of return.

BANK	2010	2009
Bank of Union - #11281	\$ 100,000.00	\$ 100,000.00
Midfirst Bank		
#2100347634	\$ 57,346.43	\$ 56,459.01
#2100324451	\$ 48,024.83	\$ 47,138.91
F&M Bank - #8178	\$ 84,801.77	\$ 84,279.71
Rose Rock Bank		
#48809	\$ 5,873.37	\$ 8,246.18
#48720	\$ 8,518.61	\$ 8,292.91
#48765	\$ 3,194.48	\$ 3,109.85
#48787	\$ 9,828.32	\$ 9,567.94

Note 9: Investments

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses from investments with readily determinable fair value are included in the change in net assets in the accompanying Statement of Activities.

INVESTMENT COMPANY	2010	2009
Northeast Investors (Strong Scholarship)	\$ 4,166.96	\$ 3,366.96

Note 10: Split-Interest Agreements

Split-Interest agreements are contributions shared by the Foundation and other beneficiaries. A split-interest agreement is created when a donor contributes assets directly to a non-profit organization or places them in the trust for the benefit of the non-profit organization. Two charitable remainder trusts were established in 1998, designating the Joe Entz Memorial Scholarship Fund as one-third beneficiary of the irrevocable trusts. One-third of the shares in the

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

two trusts were valued at \$70,161 when established. Changes in the fair value of the underlying stock held in the remainder trusts are reflected in the Statement of Financial Position. These charitable remainder trusts provide the payment of distributions to designated beneficiaries with non-charitable interest over the trusts' terms. Subject to donor-imposed restrictions, the remaining assets are to be available to the Foundation's use at the end of the respective terms. The trusts' stock with readily determinable fair value at January 31, 2010 and 2009 respectively is \$88,177 and \$79,608.

The Foundation's one-third allocation of the determinable value of the trusts' assets is reported at fair value in 2010 for \$29,392 (88,177 divided by 3) and in 2009 for \$26,536, (79,608 divided by 3) and in the Statement of Financial Position.

TRUST NAME	2010 VALUE	2010 1/3 INTEREST VALUE	2009 VALUE
Betty L. Andrews 1997 Irrevocable Trust #2	\$ 43,229	\$ 14,410	\$ 38,477
Margaret R. Andrews 1997 Irrevocable Trust #2	\$ 44,948	\$ 14,982	\$ 41,131

Note 11: Gifts for the Benefit of RCCF held at Oklahoma City Community Foundation

ACCOUNT NAME	DATE ESTABLISHED	ORIGINAL GIFT VALUE	2010 MARKET VALUE	2010 PORTION MARKET VALUE RELATED TO FAS 136	2010 GRANTS DISBURSEMENTS
Black Baseball Endowed Fund	04/29/2008	\$ 10,000.00	\$ 8,798.52	\$ 8,798.52	\$ 426.00
Burrus Family Scholarship	10/26/2007	\$ 78,900.00	\$70,611.85	\$ 70,611.85	\$ 2,895.00
Michael Earl Cray Scholarship Fund	10/26/2007	\$ 12,000.00	\$ 9,680.63	\$ 9,680.63	\$ 505.00
Casey Dell Brantley Scholarship	10/26/2007	\$ 16,500.00	\$13,311.25	\$ 13,311.25	\$ 694.00

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

El Reno Chamber of Commerce/Leslie F. Roblyer Memorial Scholarship	11/25/2008	\$ 10,000.00	\$ 11,544.42	\$ 11,544.42	\$ 271.00
El Reno Masonic Lodge/Aggie Club Endowed Scholarship	04/29/2008	\$ 26,000.00	\$ 22,875.95	\$ 22,875.95	\$ 1,108.00
Scott L. Harlan Memorial Endowed Scholarship Fund	01/13/2009	\$ 10,000.00	\$ 13,671.44	\$ 12,671.44	\$ 188.00
Howard & Rebecca Rainey Hutson	10/26/2007	\$ 43,500.00	\$ 35,092.80	\$ 35,092.80	\$ 1,830.00
Cathi Kennedy Scholarship	10/26/2007	\$ 10,000.00	\$ 8,067.34	\$ 8,067.34	\$ 421.00
Kiwains, Lions, Rotary (KLR) Scholarship Fund	10/26/2007	\$ 10,500.00	\$ 8,470.46	\$ 8,470.46	\$ 442.00
Tyler Knecht Memorial Endowment Scholarship	04/29/2008	\$ 15,000.00	\$ 13,197.95	\$ 13,197.95	\$ 639.00
Marie West Lyons Scholarship Fund	10/26/2007	\$ 17,500.00	\$ 14,118.37	\$ 14,118.37	\$ 736.00
Redlands Community College Fund	2008	\$ 56,600.00	\$ 50,264.89	--0--	\$ 2,309.00
Tommy Pinkston Family Memorial Scholarship Fund	2000	\$ 50,000.00	\$ 39,544.58	\$ 19,784.85	\$ 2,167.00
Renna V. Royse Scholarship Fund	10/26/2007	\$ 10,000.00	\$ 8,067.34	\$ 8,067.34	\$ 421.00
Virdin Royse Memorial Endowed Scholarship	04/29/2008	\$ 10,000.00	\$ 8,798.52	\$ 8,798.52	\$ 426.00
James Shaw Scholarship Fund	08/08/2007	\$ 24,465.74	\$ 21,569.17	\$ 17,866.39	\$ 927.00

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Trotter-Gambel Scholarship	10/26/2007	\$ 25,000.00	\$ 20,905.51	\$ 20,905.51	\$ 937.00
TOTALS		\$435,965.74	\$378,590.99	\$303,863.59	\$ 17,342.00

Note 12: Contingent Liabilities

NONE

Note 13: Property and Equipment

Real property and donated contents are valued at fair market value at the date the assets were given to the Foundation.

Depreciation is computed using the straight-line method. Gemini Building & Petree House is depreciated over 20 years. Petree House Furnishings, Baseball Field, and Equine Sheds are depreciated over 10 years. Office Equipment (Computer) and AG Trailer is being depreciated over 5 years. Office Equipment (Software) is being depreciated over 3 years.

<u>Date Acquired</u>	<u>Asset</u>	<u>Cost</u>	<u>Prior Depreciation</u>	<u>Current Depreciation</u>	<u>Accumulated Depreciation</u>
Various	Gemini Artwork	17,844	17,844		17,844
1984	Gemini Building	118,753	118,753		118,753
1995	Petree House	189,000	134,300	9,450	143,750
1995	Petree Furniture	113,617	113,617		113,617
2004	Equine Sheds	10,000	5,000	1,000	6,000
2004	Baseball Field	8,125	4,064	813	4,877
2005	Computer	1,153	924	229	1,153
2006	AG Trailer	10,000	5,000	2,000	7,000
2006	Quickbooks Software	180	150	30	180
Totals		\$ 468,672	\$ 399,652	\$ 13,522	\$ 413,174

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

The Foundation is the owner of four parcels of land identified and valued as follows:

Church Land, 5 Acres	\$ 62,500
Herberger Land, 6.8 Acres	75,000
Jones Land, 12.75 Acres	19,500
Petree Land	<u>20,000</u>
Total Land	\$177,000

Note 14: Property and Equipment (Petree House Furnishings & Contents)

Except for normal wear and tear, no change in contents from prior year. There are plans to return Petree House and Contents back to original Foundation.

Note 15: Property and Equipment (Dorm Housing)

Foundation began dorm housing project that was completed in August 2007.

All assets of the housing project belong to Madison Redlands LP.

Foundation began making base rental payments in January 2008 in the amount of \$55,000 for an annual base rent of \$660,000. Base rent shall increase every three (3) years.

In addition to base rent, Foundation is required to pay additional rent (percentage rent) equal to 40% of any gross revenues from occupancy rentals in excess of \$660,000. This rent is to be paid within 30 days of the fiscal year end.

Any unpaid rent for thirty (30) days will bear interest at maximum lawful rate permitted by law beginning the day after each installment was due and continues until installment is paid.

Foundation is responsible for operating expenses of the apartment complex.

Total rental income during audit period was \$493,884.80

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

Security Deposits collected from tenants and turned over to Redland Community College total \$31,000. Per November 18, 2009 minutes, 97% of total units were rented or 155 units were rented. Current maximum rental capacity is 160 units. Each tenant is required to pay \$200 deposit.

Foundation pays Madison Redlands LP a monthly management fee in the amount of \$1,166.25

Foundation approved in May 14, 2009 to refinance Cougar Crossing and transfer ownership to Redland's Community College. November 18, 2009 minutes confirmed transaction had been completed. All agreements were signed and titled was transferred on October 23, 2009. Security Deposits and Revenue Fund Balances were transferred to Redland's Community College on November 23, 2009.

Note 16: Property and Equipment (Laundry Facility at Dorm Housing)

Foundation has agreement with Coinmach Corporation for laundry facility equipment.

Coinmach Corporation supplied five (5) each washers and dryers.

Laundry facility opened in September 2007.

Foundation and Coinmach Corporation will each receive 50% of the gross receipts.

Foundation will maintain reasonable amount of comprehensive general liability and property damage insurance.

Total revenue during audit period was \$2,166.50.

Note 17: Donated and Reduced-Fee Services

Contributed services are reported in the financial statements for voluntary donations of services when those services: (1) Create or enhance non-financial assets; or (2) Require specialized skills provided by individuals possessing those skills and are serves that would be typically purchased if not provided by the donation.

Additionally, a number of volunteers have donated significant amounts of time to the Foundation in various capacities. However, these services have not been recognized, inasmuch as such

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending January 31, 2010 and 2009

services either do not require specialized skills or would not typically be purchased had they not been provided by donation. The value of these services is not readily determinable.

Note 18: Federal Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code and corresponding provisions of Oklahoma law and, accordingly, is not subject to federal or state income taxes. There are no unrelated business activities that would trigger a tax liability.



Karen J. Tucker, CPA

7200 S. Penn • Suite A • Oklahoma City, OK 73159
P.O. Box 891077 • Oklahoma City, OK 73189-1077
(405) 681-6420 • Fax: (405) 681-6490 • E-mail: karen@ktuckercpa.com

Independent Auditor's Report on Control Deficiencies and Material Weaknesses

To: Board of Directors
Redlands Community College Foundation, Inc.
1300 S. Country Club Road
El Reno, OK 73036-5304

In planning and performing our audit of the financial statements of the Redlands Community College Foundation, Inc (Foundation) for the year ended January 31, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion of the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we considered to be control deficiencies and material weaknesses under standards established by the American Institute of Certified Public Accountants. Significant deficiency, as shown on the attached list, is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

This report is intended solely for the information and use of the audit committee (board of trustees), management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Karen J. Tucker, CPA

August 4, 2010

Redlands Community College Foundation, Inc.
(A Non-Profit Organization)
Current Year Report of Control Deficiencies and Material Weaknesses
Year Ending January 31, 2010

1. All board minutes should be signed by individual recording information.
2. All board minutes should be reviewed for error correction prior to next board meeting. Majority of minutes showed "APPROVAL OF NOVEMBER MINUTES" instead of correct month in which was referring. One instance, the heading was "AUDIT REPORT", but the minutes discussed scholarships and certificate of deposits.
3. Financial Statements/Reports should be attached and made a part of board minutes.
4. Accounting Policies and procedures requires secretary/treasurer to review and initialize bank statement reconciliations and check registers on quarterly basis. This procedure is not being carried out.
5. Authorized signatures have not been updated or revised at various banks. Per bank confirmation of approved signers, Mr. Burrel Gambel is still listed on The Bank of Union Account and Rose Rock Operating Account.
6. Per accounting procedures/policies, checks written from Foundation accounts for amounts over \$5,000 are required to have two (2) signatures. Check #3302 dated 12/04/09 cleared bank with only President Joan Mueggenborg's signature.
7. Duplicate posting of check #3284 on 10/27/09 and 12/01/09 causing an understatement in cash account and overstatement in expense. Additional errors in Petree utility expense account that understated actual expenses.
8. Board dues were incorrectly posted to Redlands Scholarships instead of board dues.
9. Cougar Crossing Security Deposits required are \$200 per tenant; however, money held for deposits totalled \$33,132.90 which equals 165.66 tenants. Maximum number units available for rent are only 160 which requires maximum of \$32,000 in security deposits. Per November 18, 2009 minutes, 97% of total units were rented or 155 units were rented requiring \$31,000 in security deposits.



**HINKLE &
COMPANY**
PLLC
*Strategic
Business Advisors*

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and 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, 2010. 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 of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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.

5110 S. Yale, Ste. 100
Tulsa, OK 74135
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

In our opinion, the Redlands Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

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

A control deficiency in an entity's internal control and compliance 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 non-compliance with a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirements of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, 2010, and have issued our report thereon dated October 8, 2010. 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 use of the Board of Regents, management, 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.

Hill & Company, PLLC

Redlands Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Assistance		
Federal Pell Grant	84.063	\$ 3,204,713
Federal Supplemental Education Opportunity Grant	84.007	30,000
Federal Family Education Loans	84.032	2,877,727
Federal Work Study	84.033	51,793
Federal Academic Competitiveness Grant	84.375A	11,950
Total Student Financial Aid Cluster		<u>6,176,183</u>
TRIO Program Cluster		
Upward Bound	84.047A	299,124
Veterans Upward Bound	84.047V	169,795
Student Support Services	84.042A	281,975
Total TRIO Program Cluster		<u>750,894</u>
United States Department of Education – Other Programs		
Carl Perkins Vocational & Technical Funds	84.048	66,037
Carl Perkins Tech Prep	84.243	55,000
FIPSE Nursing	84.116Z	31,565
		<u>152,602</u>
Pass-Through Program, State of Oklahoma		
Stabilization Education Grants, ARRA Funds	84.394 ARRA	440,511
Total Stabilization Education Grants		<u>440,511</u>
Total Other Programs		<u>593,113</u>
Total U.S. Department of Education		<u>7,520,190</u>
U.S. Department of Health and Human Services		
Passed through OSHRE		
Temporary Assistance to Needy Families	93.558	303,140
AHEC – Scholars for Excellence in Child Care	93.575	91,318
Total OSHRE		<u>394,458</u>
Passed through Area Agency on the Aging		
Title III-B	93.044	79,360
Title III-C	93.045	213,960
Title III-D	93.043	2,014
Title III-E	93.052	8,654
NSIP	10.550	34,591
Total Area Agency on the Aging		<u>338,579</u>
National Institute for Health and Human Services		
East Central University		
Initiative for Minority Students: Bridges to		
Baccalaureate Degree	93.960	10,884
Total Initiative for Minority Students		<u>10,884</u>
Total U.S. Department of Health and Human Services		<u>743,921</u>



Redlands Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce		
Oklahoma Manufacturing Alliance	11.611	<u>85,454</u>
Total U.S. Department of Commerce		<u>85,454</u>
National Science Foundation		
Passed through Missouri State University VESTA	47.076	<u>99,820</u>
Total National Science Foundation		<u>99,820</u>
TOTAL EXPENDITURES FOR FEDERAL AWARDS		<u>\$ 8,449,385</u>



Redlands Community College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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, 2010, the College did not provide any federal awards to subrecipients.



Redlands Community College
Schedule of Findings and Questioned Costs
June 30, 2010

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:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	84.063, 84.032, 84.033, 84.007 and 84,375A
Trio Cluster	84.047, 84.042
Education Grant	84.394 ARRA
Temporary Assistance to Needy Families	93.558

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 not qualify as a low-risk auditee as defined by OMB Circular A-133.



Redlands Community College
Schedule of Findings and Questioned Costs
June 30, 2010

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.



**Redlands Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010**

Prior Year Findings

None

