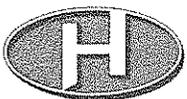


**Redlands Community College**

**Financial Statements  
with Independent Auditors' Reports**

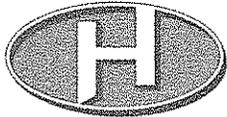
**June 30, 2011 and 2010**



**Redlands Community College**  
**Table of Contents**  
**June 30, 2011 and 2010**

<b>Independent Auditors' Report on Financial Statements .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>i</b>
<b>Financial Statements</b>	
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
<b>Reports Required by Government Auditing Standards</b>	
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 <i>Government Auditing Standards</i> .....	26
<b>Redlands Community College Foundation.....</b>	<b>Exhibit</b>
<b>Reports Required by OMB Circular A-133</b>	
Independent Auditors' Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards.....	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





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## **Independent Auditors' Report**

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

We have audited the accompanying statements of net assets of Redlands Community College (the College) as of June 30, 2011 and 2010, 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 \$930,525 and \$1,150,023 at June 30, 2011 and 2010, respectively. Those statements were audited by other auditors whose report has been included in that separate set of financial statements. Our opinion, insofar as it relates to the amounts included for the separately presented component unit, is based on the report of other auditors.

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

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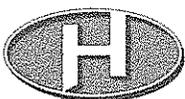
In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the separately presented component unit as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, 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.

Hibler & Company, PC

Tulsa, Oklahoma  
September 16, 2011



**REDLANDS COMMUNITY COLLEGE**  
Year Ended June 30, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis of Redlands Community College's (the College) financial statements provides an overview by management of the financial activities for the fiscal year ended June 30, 2011. 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, 2011, the College's net assets were \$7,900,760, which reflects an increase of \$349,970 over last year. Operating revenue including tuition and fees, federal and state grants and contracts, and auxiliary enterprises totaled \$4,994,927. Net non-operating revenues totaled \$11,140,975, which includes governmental appropriations, non-operating federal and state grants, interest earned, and interest and miscellaneous expense. Operating expenses totaled \$16,960,568, including the provision for depreciation expense.

**Using This Annual Report**

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

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

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

## REDLANDS COMMUNITY COLLEGE

Year Ended June 30, 2011

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

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

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

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

**REDLANDS COMMUNITY COLLEGE**  
Year Ended June 30, 2011

**Comparison of Net Assets**  
**For Fiscal Year Ended June 30, 2011**

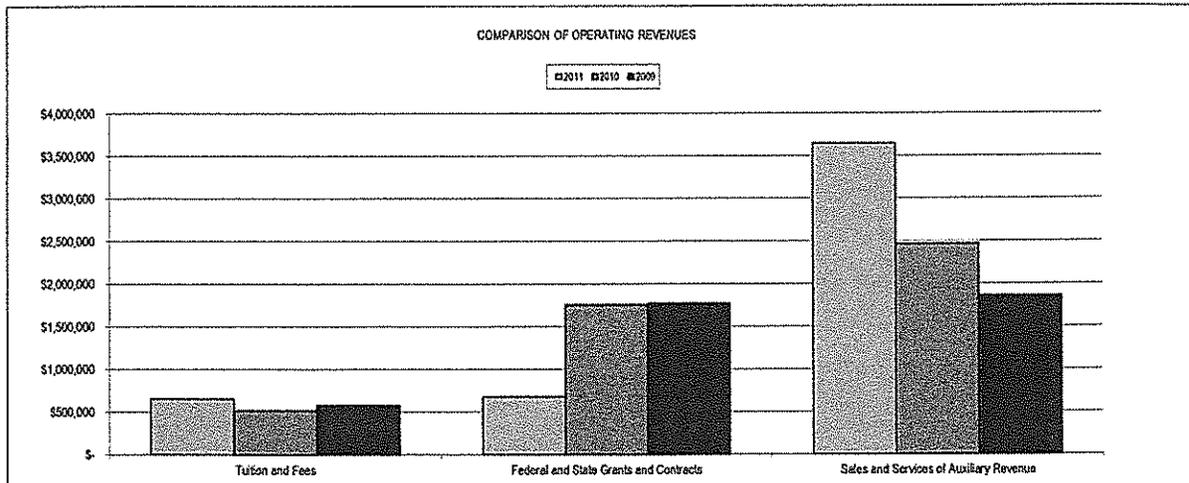
	2011	2010	2009
<b>ASSETS:</b>			
Current Assets	\$ 1,846,162	\$ 1,381,848	\$ 1,496,746
Noncurrent Assets:			
Capital Assets, Net of Depreciation	26,286,162	26,677,524	17,558,355
Receivable from State Agencies	102,560	561,322	147,891
Other	959,948	445,596	245,982
<b>Total Assets</b>	<b>\$ 29,194,832</b>	<b>\$ 29,066,290</b>	<b>\$ 19,448,974</b>
<b>LIABILITIES:</b>			
Current Liabilities	\$ 2,074,799	\$ 3,523,319	\$ 1,672,772
Noncurrent Liabilities:			
Note Payable	382,951	390,296	748,856
Capital Lease Obligations	18,507,616	17,031,534	8,409,483
Premium on OCIA capital lease obligation	-	155,498	163,683
Premium on ODFA master lease obligation	28,707	29,853	15,597
Revenue Bonds	300,000	385,000	465,000
<b>Total Liabilities</b>	<b>\$ 21,294,073</b>	<b>\$ 21,515,500</b>	<b>\$ 11,475,391</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net	7,241,640	7,475,568	7,794,213
Restricted	392,892	323,321	413,847
Unrestricted	266,228	(249,268)	(234,477)
<b>Total Net Assets</b>	<b>\$ 7,900,760</b>	<b>\$ 7,549,621</b>	<b>\$ 7,973,583</b>

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

**REDLANDS COMMUNITY COLLEGE**  
Year Ended June 30, 2011

**COMPARISON OF OPERATING RESULTS**  
For Fiscal Year Ended June 30, 2011

	2011	2010	2009
<b>OPERATING REVENUE</b>			
Tuition and Fees	\$ 653,247	\$ 516,611	\$ 575,640
Federal and State Grants and Contracts	674,046	1,754,244	1,767,555
Sales and Services of Auxiliary Revenue	3,646,065	2,463,754	1,853,799
Other Operating Revenues	21,569	14,418	17,491
Total Operating Revenue	4,994,927	4,749,026	4,214,485
Less: Operating Expenses	(16,960,568)	(16,592,759)	(14,938,667)
<b>Net Operating Revenue (Loss)</b>	<b>\$ (11,965,641)</b>	<b>\$ (11,843,733)</b>	<b>\$ (10,724,182)</b>
<b>NONOPERATING REVENUE</b>			
State Appropriations	6,234,009	5,797,096	6,193,338
State Appropriations - ARRA	896	440,511	-
On-behalf payments for OTRS	356,000	305,000	357,000
Federal and State grants - non-operating	4,921,382	3,928,901	2,858,460
Investment Income	26	-	583
Interest on Capital Debt & Misc. Expense	(753,338)	(707,205)	(499,793)
<b>Net Nonoperating Revenue (Loss)</b>	<b>\$ 11,140,975</b>	<b>\$ 9,764,303</b>	<b>\$ 8,909,588</b>
<b>OTHER REVENUES</b>	<b>\$ 1,174,636</b>	<b>\$ 1,656,637</b>	<b>\$ 1,616,237</b>
<b>NET ASSETS</b>			
Change in Net Assets	349,970	(422,793)	(198,357)
Net Assets, Beginning of Year	7,550,790	7,973,583	8,171,940
<b>Net Assets, End of Year</b>	<b>\$ 7,900,760</b>	<b>\$ 7,550,790</b>	<b>\$ 7,973,583</b>



**REDLANDS COMMUNITY COLLEGE**  
Year Ended June 30, 2011

**CASH FLOWS**

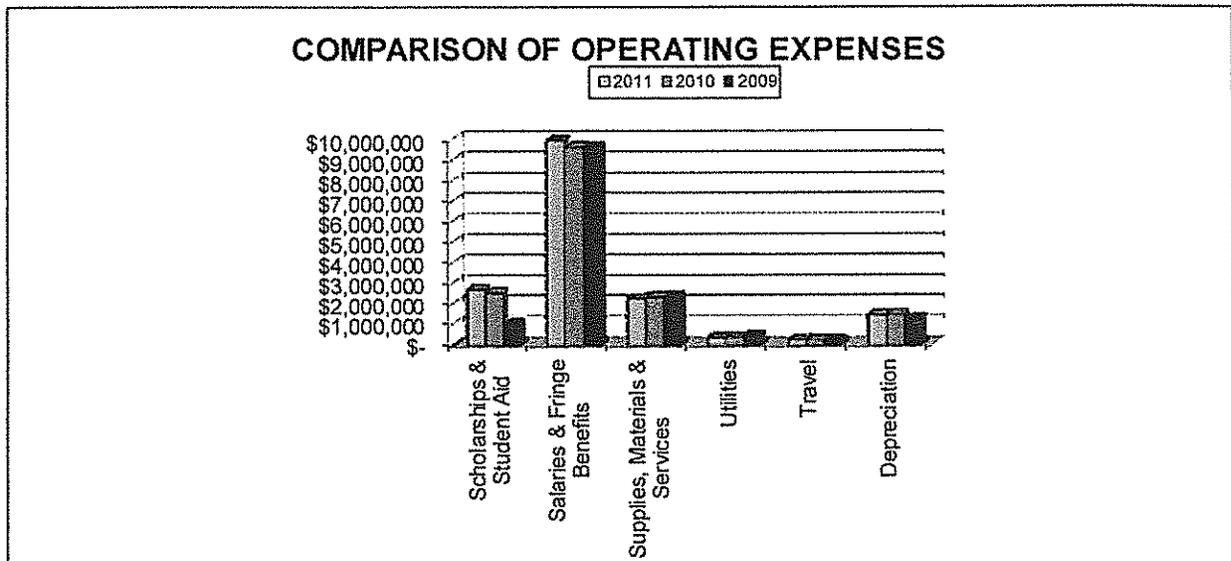
For Fiscal Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Provided (used) by:			
Operating Activities	\$ (11,031,216)	\$ (9,875,608)	\$ (9,160,490)
Non-Capital Financing Activities	11,507,354	10,161,742	9,030,671
Capital and Related Financing	(257,971)	(267,451)	281,749
Investing Activities	<u>(2,554)</u>	<u>2,400</u>	<u>(2,186)</u>
Net Increase (Decrease) in Cash	215,613	21,083	149,744
Cash, Beginning of Year	<u>505,910</u>	<u>484,827</u>	<u>335,083</u>
Cash, End of Year	<u>\$ 721,523</u>	<u>\$ 505,910</u>	<u>\$ 484,827</u>

**COMPARISON OF OPERATING EXPENSES**

For Fiscal Year Ended June 30, 2011

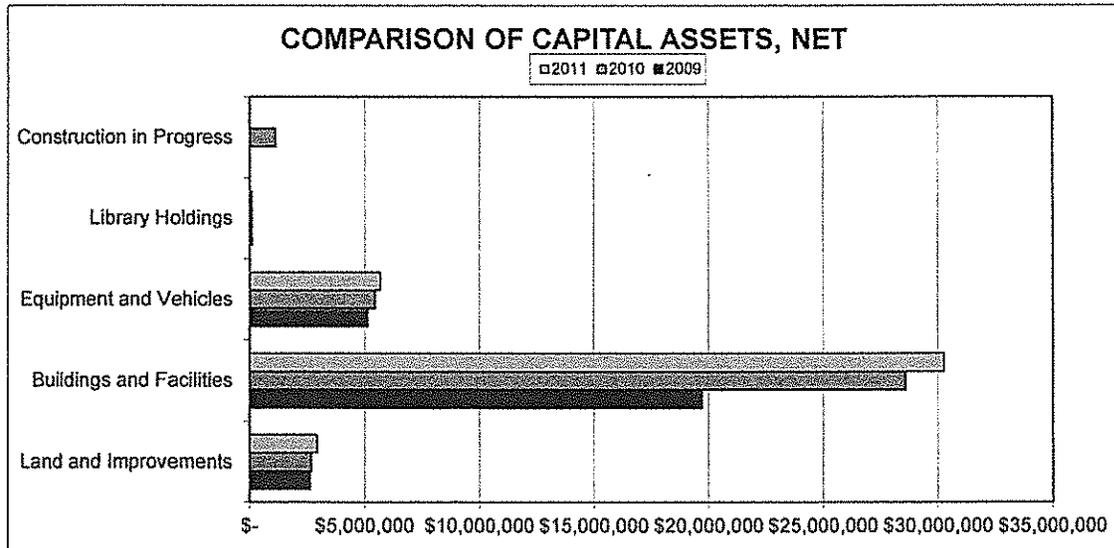
<b>OPERATING EXPENSE</b>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Scholarships & Student Aid	\$ 2,701,431	\$ 2,537,572	\$ 1,010,377
Salaries & Fringe Benefits	9,965,420	9,640,012	9,615,563
Supplies, Materials & Services	2,257,889	2,346,184	2,359,722
Utilities	350,161	364,315	457,439
Travel	240,349	244,522	231,885
Depreciation	<u>1,445,318</u>	<u>1,460,154</u>	<u>1,263,681</u>
Total Operating Expenses	<u>\$ 16,960,568</u>	<u>\$ 16,592,759</u>	<u>\$ 14,938,667</u>



**REDLANDS COMMUNITY COLLEGE**  
Year Ended June 30, 2011

**COMPARISON OF CAPITAL ASSETS, NET**  
For Fiscal Year Ended June 30, 2011

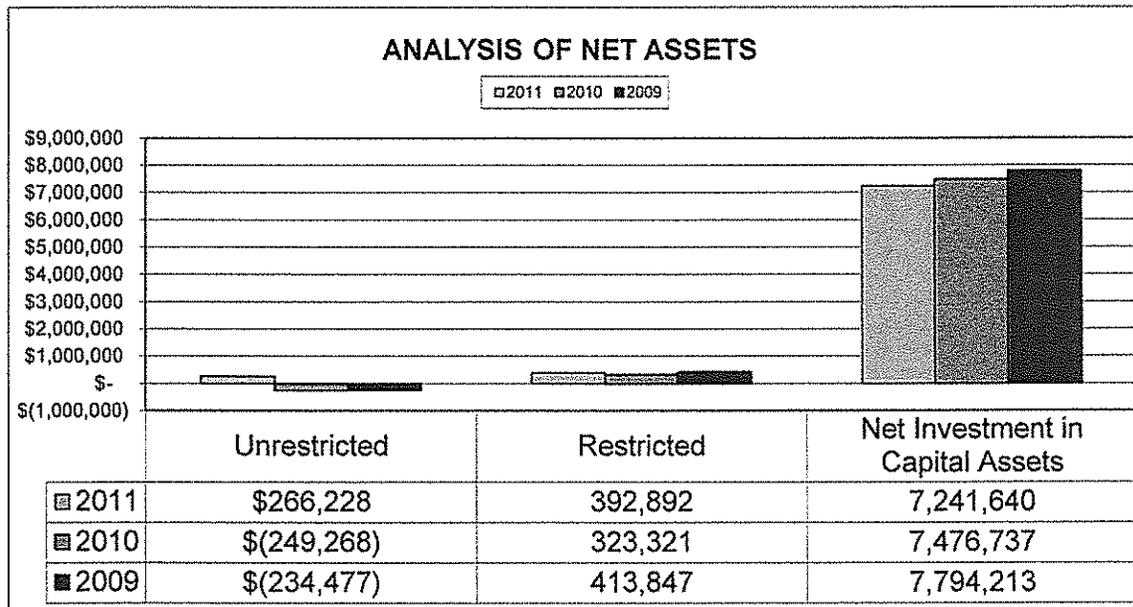
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>CAPITAL ASSETS</b>			
Land and Improvements	\$ 2,951,626	\$ 2,699,644	\$ 2,643,793
Buildings and Facilities	30,283,811	28,594,965	19,723,147
Equipment and Vehicles	5,683,005	5,466,071	5,131,696
Library Holdings	102,076	102,076	102,076
Construction in Progress	-	1,120,529	-
Total Capital Assets	<u>39,020,518</u>	<u>37,983,284</u>	<u>27,600,712</u>
Less Accumulated Depreciation	<u>(12,734,354)</u>	<u>(11,305,760)</u>	<u>(10,042,357)</u>
<b>Net Capital Assets</b>	<b><u>\$ 26,286,164</u></b>	<b><u>\$ 26,677,524</u></b>	<b><u>\$ 17,558,355</u></b>



**REDLANDS COMMUNITY COLLEGE**  
Year Ended June 30, 2011

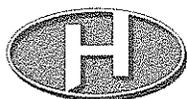
**ANALYSIS OF NET ASSETS**  
For Fiscal Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>NET ASSETS</b>			
Unrestricted	\$ 266,228	\$ (249,268)	\$ (234,477)
Restricted	392,892	323,321	413,847
Invested in Capital Assets, Net	<u>7,241,640</u>	<u>7,476,737</u>	<u>7,794,213</u>
<b>Net Capital Assets</b>	<u>\$ 7,900,760</u>	<u>\$ 7,550,790</u>	<u>\$ 7,973,583</u>



**Redlands Community College**  
**Statements of Net Assets**  
**June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 721,523	\$ 505,910
Accounts receivable, net of allowance for doubtful accounts of \$376,061 in 2011 and \$385,903 in 2010	871,913	598,312
Grants Receivable	<u>252,726</u>	<u>277,626</u>
Total Current Assets	<u>1,846,162</u>	<u>1,381,848</u>
<b>Noncurrent Assets</b>		
Restricted Investments	229,395	226,815
Bond Issue Costs, net	730,553	218,781
Receivable from ODFA	—	561,322
Due from State	102,560	—
Capital assets, net of accumulated depreciation	<u>26,286,162</u>	<u>26,677,524</u>
Total Noncurrent Assets	<u>27,348,670</u>	<u>27,684,442</u>
<b>Total Assets</b>	<u>29,194,832</u>	<u>29,066,290</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	129,138	742,096
Accrued expenses	42,371	40,930
Accrued interest	11,895	24,041
Accrued compensated absences	194,078	205,651
Deferred revenue	463,793	423,037
Long-term liabilities, current portion	700,132	1,609,727
Deposits held in custody for others	<u>533,392</u>	<u>477,837</u>
Total Current Liabilities	<u>2,074,799</u>	<u>3,523,319</u>
<b>Noncurrent Liabilities</b>		
Long term liabilities	<u>19,219,273</u>	<u>17,992,181</u>
Total Noncurrent Liabilities	<u>19,219,273</u>	<u>17,992,181</u>
<b>Total Liabilities</b>	<u>21,294,072</u>	<u>21,515,500</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,241,640	7,476,737
Restricted for		
Debt service	229,395	226,815
Donor restrictions	163,497	96,506
Unrestricted	<u>266,228</u>	<u>(249,268)</u>
<b>Total Net Assets</b>	<u>\$ 7,900,760</u>	<u>\$ 7,550,790</u>



**Redlands Community College**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Operating Revenues</b>		
Student tuition and fees, net of scholarship allowances of \$3,135,000 for 2011 and \$2,697,000 for 2010	\$ 653,247	\$ 516,611
Federal and state grants and contracts	674,046	1,754,243
Sales and services of auxiliary activities (revenues of \$152,000 in 2011 and \$151,000 in 2010 are pledged as security for the 1993 Student Center Revenue Bonds)	3,646,065	2,463,754
Other operating revenues	<u>21,569</u>	<u>14,418</u>
Total Operating Revenues	<u>4,994,927</u>	<u>4,749,026</u>
<b>Operating Expenses</b>		
Compensation	9,965,420	9,640,012
Supplies and materials	2,235,571	2,329,757
Depreciation	1,445,318	1,460,154
Utilities	350,161	364,315
Travel	240,349	244,522
Scholarships and fellowships	2,701,431	2,537,572
Other operating expenses	<u>22,318</u>	<u>16,427</u>
Total Operating Expenses	<u>16,960,568</u>	<u>16,592,759</u>
<b>Operating Loss</b>	<u>(11,965,641)</u>	<u>(11,843,733)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	6,234,009	5,797,096
State appropriations - ARRA	382,896	440,511
Federal and state grants	4,921,382	3,928,901
On-behalf Teachers' Retirement System contributions	356,000	305,000
Other operating expenses	(30,933)	(4,766)
Investment income	26	—
Interest expense	<u>(722,405)</u>	<u>(702,439)</u>
Net Nonoperating Revenues	<u>11,140,975</u>	<u>9,764,303</u>
<b>Loss Before Other Revenues, Expenses, Gains, and Losses</b>	<u>(824,666)</u>	<u>(2,079,430)</u>
<b>Other Revenues, Expenses, Gains, and Losses</b>		
On-behalf Oklahoma Capital Improvement Authority contributions	219,612	488,767
Capital appropriations	<u>955,024</u>	<u>1,167,870</u>
Other Revenues and Gains	<u>1,174,636</u>	<u>1,656,637</u>
<b>Change in Net Assets</b>	349,970	(422,793)
<b>Net Assets at Beginning of Year</b>	<u>7,550,790</u>	<u>7,973,583</u>
<b>Net Assets at End of Year</b>	<u>\$ 7,900,760</u>	<u>\$ 7,550,790</u>



**Redlands Community College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 420,439	\$ 608,576
Grants and contracts	698,946	1,869,102
Payments to employees	(9,622,434)	(9,312,940)
Payments to vendors	(6,093,203)	(5,518,195)
Auxiliary enterprise	3,543,467	2,463,431
Other receipts	<u>21,569</u>	<u>14,418</u>
Net Cash Used in Operating Activities	<u>(11,031,216)</u>	<u>(9,875,608)</u>
<b>Noncapital Financing Activities</b>		
State appropriations	6,234,009	5,797,096
State appropriations - ARRA	382,896	440,511
Federal and state grants	4,921,382	3,928,901
Federal Family Education Loan receipts	3,128,198	2,877,728
Federal Family Education Loan disbursements	(3,128,198)	(2,877,728)
Agency transactions, net	<u>(30,933)</u>	<u>(4,766)</u>
Net Cash Provided by Noncapital Financing Activities	<u>11,507,354</u>	<u>10,161,742</u>
<b>Capital and Related Financing Activities</b>		
Capital appropriations	955,024	1,167,870
Payments on bonds and lease payable	(2,014,494)	(860,612)
Proceeds from capital lease obligations	1,861,322	9,369,412
Purchases of capital assets	<u>(1,059,823)</u>	<u>(9,944,121)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(257,971)</u>	<u>(267,451)</u>
<b>Investing Activities</b>		
Sales and maturities of investments	(2,580)	2,400
Interest on investments	<u>26</u>	<u>—</u>
Net Cash Provided by (Used in) Investing Activities	<u>(2,554)</u>	<u>2,400</u>
<b>Net Increase in Cash</b>	215,613	21,083
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>505,910</u>	<u>484,827</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 721,523</u>	<u>\$ 505,910</u>



**Redlands Community College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2011 and 2010**

(Continued)

	2011	2010
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>		
Operating loss	\$ (11,965,641)	\$ (11,843,733)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	1,445,318	1,460,154
On-behalf Teachers' Retirement System contributions	356,000	305,000
Loss on disposal of assets	29,982	6,618
Changes in assets and liabilities		
Receivables, net	(351,262)	135,982
Student loans	—	—
Accounts payable	(628,910)	(447,885)
Accrued expenses	54,114	417,563
Compensated absences	(11,573)	20,174
Deferred revenues	40,756	70,519
<b>Net Cash Used in Operating Activities</b>	<b>\$ (11,031,216)</b>	<b>\$ (9,875,608)</b>
<b>Supplemental Cash Flow Information</b>		
Accounts payable related to capital assets	\$ 18,834	\$ 587,115
Principal and interest paid by OCIA	\$ 219,612	\$ 488,767
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Current cash and cash equivalents	\$ 721,523	\$ 505,910
Noncurrent cash and cash equivalents	—	—
	<b>\$ 721,523</b>	<b>\$ 505,910</b>



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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, 2011 and 2010**

**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, 2011 and 2010**

**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, 2011 and 2010**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

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

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

**Compensated Absences**

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

**Noncurrent Liabilities**

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

**Net Assets**

The College's net assets are classified as follows:

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



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

*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.

**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, 2011 and 2010**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Classification of Revenues** (Continued)

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

**Income Taxes**

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

**Use of Estimates**

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

**Subsequent Events**

Subsequent events have been evaluated through September 16, 2011, 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, 2011 and 2010**

**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, 2011 and 2010, the carrying amount of the College's deposits was \$721,103 and \$504,741, respectively. These amounts consisted of deposits with the State Treasurer \$721,103 and \$504,741 at June 30, 2011 and 2010, 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, 2011 and 2010**

**Note 2: Deposits and Investments** (Continued)

Investment maturities were as follows at June 30, 2011 and 2010 respectively:

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

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	\$ _____	\$ _____	\$ _____	\$ _____

**Concentration of Credit Risk**

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

**Note 3: Accounts Receivable, Net**

Accounts receivable consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Student tuition and fees	\$ 1,233,995	\$ 970,274
Auxiliary enterprises and other operating activities	13,979	13,941
	1,247,974	984,215
Less allowance for doubtful accounts	(376,061)	(385,903)
	<u>\$ 871,913</u>	<u>\$ 598,312</u>

The College also has \$0 and \$561,322 of receivables restricted for capital projects as of June 30, 2011 and 2010, 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, 2011 and 2010**

**Note 4: Capital Assets, Net**

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

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

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	<u>—</u>	<u>1,120,529</u>	<u>—</u>	<u>—</u>	<u>1,120,529</u>
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	<u>5,131,696</u>	<u>537,745</u>	<u>—</u>	<u>(203,371)</u>	<u>5,466,070</u>
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	<u>(3,533,933)</u>	<u>(669,098)</u>	<u>—</u>	<u>196,753</u>	<u>(4,006,278)</u>
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>



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 4: Capital Assets, Net (Continued)**

At June 30, 2011 and 2010, the cost of assets held under capital lease obligations and included in capital assets was \$13,122,797 and \$11,261,449 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 2011, total interest cost incurred was \$727,686 of which \$5,281 was capitalized. In 2010, total interest cost incurred was \$715,912 of which \$13,472 was capitalized.

**Note 5: Long-term Liabilities**

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

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

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>



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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 \$385,000 and \$465,000 at June 30, 2011 and 2010, 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 \$80,000 in principle and \$26,210 and \$31,030 in related interest on these bonds during 2011 and 2010, 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>
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>\$ 385,000</u>	<u>\$ 37,930</u>	<u>\$ 422,930</u>

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

**Oklahoma Capital Improvement Authority Lease Obligations**

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

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



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Note 5: Long-term Liabilities** (Continued)

**Oklahoma Capital Improvement Authority Lease Obligations** (Continued)

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

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

During the years ended June 30, 2011 and 2010, OCIA made lease principal and interest payments totaling \$214,163 and \$486,212 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>
2012	29,167	102,207	131,374
2013	30,000	113,886	143,886
2014	217,879	304,803	522,682
2015	541,199	293,939	835,138
2016	559,591	275,012	834,603
2017-2021	2,131,730	1,118,140	3,249,870
2022-2026	1,422,177	804,242	2,226,419
2027-2031	<u>2,215,124</u>	<u>341,185</u>	<u>2,556,309</u>
	<u>\$ 7,146,867</u>	<u>\$ 3,353,414</u>	<u>\$ 10,500,281</u>



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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, the College recognized \$1,750 of amortization, leaving a balance of the unamortized bond discount of \$16,042. During 2011, the unamortized bond discount was eliminated. The unamortized bond discount for 2010 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, the College recognized \$8,184 of amortization, leaving a balance of the unamortized bond premium of \$163,682. During 2011, the unamortized bond premium was eliminated. The unamortized bond premium for 2010 is included in the OCIA capital lease obligation in the accompanying financial statements.

During the year ending June 30, 2011, the College recognized \$100,515 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of \$502,575. The unamortized deferred cost 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



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Oklahoma Development Finance Authority Master Lease** (Continued)

**Note 5: Long-term Liabilities** (Continued)

Higher Education Real Property Master Lease Revenue Bonds, Series 2009C. The College financed \$510,281, (includes \$281 of bond premium) for improvements to the College's real property.

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

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

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

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

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 \$615,068 and \$325,683 in principal, and \$517,762 and \$308,042 in related interest on these bonds during 2011 and 2010, respectively.



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**Oklahoma Development Finance Authority Master Lease** (Continued)

**Note 5: Long-term Liabilities** (Continued)

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, 2011 and 2010, the unamortized bond issuance costs totaled \$227,978 and \$218,781, 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>
2012	\$ 573,994	\$ 484,945	\$ 1,058,939
2013	591,911	468,552	1,060,463
2014	593,494	450,375	1,043,869
2015	454,948	427,021	881,969
2016	368,375	421,450	789,825
2017 – 2021	2,013,292	1,883,983	3,897,275
2022 – 2026	1,808,936	1,496,261	3,305,197
2027 – 2031	1,976,453	1,112,114	3,088,567
2032 – 2036	2,297,046	618,784	2,915,830
2037 – 2041	<u>1,314,167</u>	<u>120,865</u>	<u>1,435,032</u>
	<u>\$ 11,992,616</u>	<u>\$ 7,484,350</u>	<u>\$ 19,476,966</u>



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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 2011, the College recognized \$1,185 of amortization, leaving a balance of the unamortized bond premium of \$14,412. 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 2011, the College recognized \$1,143 of amortization, leaving a balance of the unamortized bond premium of \$3,525. 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 2011, the College recognized \$11 of amortization, leaving a balance of the unamortized bond premium of \$260. 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 2011, the College recognized \$2,976 of amortization, leaving a balance of the unamortized bond premium of \$11,656. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Real Property Series 2010A bonds were issued at a premium. The College's pro rata portion of the premium was \$4,482. During 2011, the College recognized \$134 of amortization, leaving a balance of the unamortized bond premium of \$4,347. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

**Notes Payable**

In October 2005, the College entered into an \$848,000 term loan with a financial institution to finance the purchase of real estate, machinery and equipment. The loan has an initial maturity of November 2010, based on a twenty-year amortization rate of 6.5% of Wall Street Prime (3.25% at June 30, 2010). 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 \$700,268 and \$53,539 in principal and \$15,125 and \$16,390 in related interest on this loan during 2011 and 2010, respectively. This note was paid in full during fiscal year 2011.

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



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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 \$11,275 and \$6,272 in principal and \$23,788 and \$14,717 in related interest on this loan during 2011 and 2010, respectively.

Scheduled principal and interest payments related to the notes at June 30, 2011, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 11,971	\$ 23,092	\$ 35,063
2013	12,709	22,354	35,063
2014	13,493	21,570	35,063
2015	<u>356,749</u>	<u>7,008</u>	<u>363,757</u>
	<u>\$ 394,922</u>	<u>\$ 74,024</u>	<u>\$ 468,946</u>

**Note 6: Retirement Programs**

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

**Oklahoma Teachers' Retirement System**

**Plan Description**

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



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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 2011. In 2011, the College contributed the required amount of 9.5% for participating members.

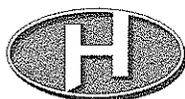
The College's contributions to the OTRS for the years ended June 30, 2011 and 2010 were approximately \$462,000 and \$459,000, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2011, 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, 2011 and 2010, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were approximately \$356,000 and \$305,000, 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>2011</u>	<u>2010</u>
Scholarship funds awarded to the College	\$ <u>50,714</u>	\$ <u>83,732</u>
Payment of services to the Foundation	\$ <u>6,500</u>	\$ <u>6,500</u>



**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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.

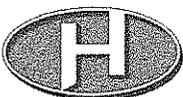
The College participates in the Federal Family Education Loan Program (the "FFEL Program"), which includes the Federal Stafford Loan Program and Federal Parents Loan for Undergraduate Students programs. The FFEL program does not require the College to draw down cash; however, the College is required 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, 2011 and 2010, approximately \$3,128,000 and \$2,878,000 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.

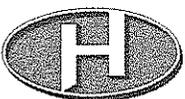
The College also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and 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.

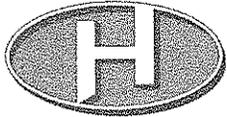


**Redlands Community College**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**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.





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

Board of Regents  
Redlands Community College  
El Reno, Oklahoma

We have audited the financial statements of Redlands Community College (the College) as of June 30, 2011, and for the year then ended, and have issued our report thereon dated September 16, 2011. 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 prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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.

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**Compliance and Other Matters**

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

This report is intended solely for the 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.

*Hickel & Company*

Tulsa, Oklahoma  
September 16, 2011



## Exhibit



REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENT

FOR THE YEAR ENDED JANUARY 31, 2011

WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

PETERS & CHANDLER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Redlands Community College Foundation, Inc

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position – modified cash basis of Redlands Community College Foundation, Inc. (a nonprofit organization) as of January 31, 2011 and the related statement of activities – modified cash basis 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 audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Foundation's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redlands Community College Foundation, Inc. as of January 31, 2011, and its revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

*Peters & Chandler*

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma  
October 12, 2011

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.

JANUARY 31, 2011

STATEMENT OF FINANCIAL POSITION

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 40,273	\$ 264,619	\$ 10,185	\$ 315,077
Certificates of Deposit (Note 5)	-0-	61,478	21,962	83,440
<u>Total Current Assets</u>	<u>\$ 40,273</u>	<u>\$ 326,097</u>	<u>\$ 32,147</u>	<u>\$ 398,517</u>
<u>Investments (Note 2, 3, 5)</u>	\$ -0-	\$ -0-	\$ 4,417	\$ 4,417
<u>Beneficial Interests in Assets Held by Others (Note 3, 4, 5)</u>	\$ -0-	\$ 9,450	\$ 354,706	\$ 364,156
<u>Property and Equipment</u>				
Land	\$ 157,000	\$ -0-	\$ -0-	\$ 157,000
Building	118,753	-0-	-0-	118,753
Equipment	29,458	-0-	-0-	29,458
Furniture and Fixtures	17,844	-0-	-0-	17,844
Less: Accumulated Depreciation	(159,620)	-0-	-0-	(159,620)
<u>Net Property and Equipment</u>	<u>\$ 163,435</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 163,435</u>
<u>Total Assets</u>	<u>\$ 203,708</u>	<u>\$ 335,547</u>	<u>\$ 391,270</u>	<u>\$ 930,525</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Net Assets (Note 6)</u>				
Unrestricted:				
Portion Invested in Property and Equipment (Net)	\$ 163,435	\$ -0-	\$ -0-	\$ 163,435
Other Unrestricted	40,273	-0-	-0-	40,273
Temporarily Restricted	-0-	335,547	-0-	335,547
Permanently Restricted	-0-	-0-	391,270	391,270
<u>Total Net Assets</u>	<u>\$ 203,708</u>	<u>\$ 335,547</u>	<u>\$ 391,270</u>	<u>\$ 930,525</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 203,708</u>	<u>\$ 335,547</u>	<u>\$ 391,270</u>	<u>\$ 930,525</u>

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

REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.

FOR YEAR ENDED JANUARY 31, 2011

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<u>Revenues, Gains and Other Support</u>				
Contributions and Donations	\$ 2,640	\$ 125,410	\$ -0-	\$ 128,050
Fundraiser Income	9,041	-0-	-0-	9,041
Scholarship Donations	-0-	44,960	19,240	64,200
Grant Income	-0-	52,395	-0-	52,395
Interest and Dividends	841	19,906	420	21,167
Lease Income	6,501	-0-	-0-	6,501
Unrealized Gain (Loss) on Investments	-0-	-0-	32,543	32,543
Gain (Loss) on Sale of Assets	7,291	-0-	-0-	7,291
Net Assets Released from Restrictions - Temporary	342,155	(342,155)	-0-	-0-
<u>Total Revenues, Gains and Other Support</u>	<u>\$ 368,469</u>	<u>\$ (99,484)</u>	<u>\$ 52,203</u>	<u>\$ 321,188</u>
<u>Expenses</u>				\$ 162,100
Donations and Gifts (Note 8)	\$ 162,100			1,480
Fundraising Expenses	1,480			103,537
Scholarships Granted	103,537			37,807
Grant Expenditures	37,807			94,920
Program and Club Expenses	94,920			6,962
Depreciation Expense	6,962			2,303
Operating Expenses	2,303			9,894
Petree House Expenses	9,894			1,700
Insurance Expense	1,700			8,275
Professional Fees	8,275			1,087
Other Expenses	1,087			
<u>Total Expenses</u>	<u>\$ 430,065</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 430,065</u>
<u>Change in Net Assets</u>	<u>\$ (61,596)</u>	<u>\$ (99,484)</u>	<u>\$ 52,203</u>	<u>\$ (108,877)</u>
<u>Net Assets - Beginning of Year (Restated) (Note 6)</u>	<u>265,304</u>	<u>435,031</u>	<u>339,067</u>	<u>1,039,402</u>
<u>Net Assets - End of Year</u>	<u>\$ 203,708</u>	<u>\$ 335,547</u>	<u>\$ 391,270</u>	<u>\$ 930,525</u>

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

NOTES TO FINANCIAL STATEMENTS

NATURE OF OPERATIONS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

BASIS OF PRESENTATION

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

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

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

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

USE OF ESTIMATES

Preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Investments in equity securities with readily determinable fair values are measured at fair market value in the Statement of Financial Position. The unrealized gain or loss on investments is reflected in the Statement of Activities. Investment income and gains and losses are reported as unrestricted unless specific restrictions apply.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of three to ten years for equipment and twenty years for buildings and related components.

CONTRIBUTIONS

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

NOTE 2 – INVESTMENTS

Investments consist of funds in a high yield bond fund. The principal and its undistributed earnings are included in permanently restricted net assets, and any dividends paid are reported as unrestricted income.

NOTE 3 – FAIR VALUE MEASUREMENTS

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

Certain of the Foundation's assets are reported at fair value in the accompanying statement of position on a recurring basis. The Foundation's assets reported at fair value on a recurring basis are summarized as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
	<u>INPUTS</u>	<u>INPUTS</u>	<u>INPUTS</u>
Mutual Funds: High Yield Bond Funds	\$ 4,417	\$ -0-	\$ -0-
Beneficial Interest in Assets Held By Others (Note 4)	364,156	-0-	-0-
	<u>\$ 368,573</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FUNDS HELD BY OTHERS

Endowed funds are held at the Oklahoma City Community Foundation (OCCF). The Foundation has contributed funds to endowments during the current and prior years, specifying itself as the beneficiary of the funds. Additionally, other amounts have been contributed to the OCCF for the benefit of the Foundation. Annually, distributions from the endowment earnings are paid to the Foundation according to the OCCF's spending policy. The Foundation has authorized the OCCF to manage the endowment, effectively giving variance power to the OCCF. However, as the Foundation designated itself beneficiary for the endowment, it has recognized a beneficial interest in assets held by the OCCF. As of January 31, 2011, the market value of the Foundation's beneficial interest in the endowment was \$364,156. The endowed funds contributed by third party donors held by the OCCF designated for the benefit of the Foundation were \$86,732 at January 31, 2011, and are not reflected in the Foundation's statement of financial position.

NOTE 5 – ENDOWMENT ASSETS

The Foundation follows authoritative guidance regarding reporting of endowment funds and disclosures of endowment funds, including the application of the Uniform Prudent Management of Institutional Funds Act.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of a donation as of the date on which the donation was made, except where the donor provides different instructions or conditions in connection with the donation. Consistent with this interpretation, the Foundation has classified its permanently restricted net assets in the amount of the original value of donations made to the permanent endowment as well as the original value of subsequent donations made to the permanent endowment. Any undistributed earnings of the endowment are considered by the Foundation to be permanently restricted funds. The remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are approved for distribution by the Foundation in a manner consistent with the standards set forth in the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to maintain or distribute donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation/depreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

The Foundation has adopted investment policies for endowment funds that facilitate its ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from the expected investment return. To satisfy its long-term rate-of-return objectives, the Foundation invests its endowed funds with a recipient organization that has been granted variance power.

Endowment net assets include permanently restricted certificates of deposit, investment in high-yield bond funds, and beneficial interests in assets held by others. Endowment net asset composition and changes in endowment net assets for the year ended January 31, 2011 is as follows:

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – ENDOWMENT ASSETS (Continued)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>Endowment Net Assets as of January 31, 2010</u>	\$ -0-	\$ -0-	\$ 329,572	\$ 329,572
<u>Endowment Contributions</u>	\$ -0-	\$ 9,450	\$ 18,550	\$ 28,000
<u>Investment Return:</u>				
Net Realized and Unrealized Gain (Loss)	\$ -0-	\$ -0-	\$ 32,963	\$ 32,963
<u>Total Investment Return</u>	\$ -0-	\$ -0-	\$ 32,963	\$ 32,963
<u>Total Endowment Funds at January 31, 2011</u>	\$ -0-	\$ 9,450	\$ 381,085	\$ 390,535

NOTE 6 – NET ASSET RESTATEMENT

Net assets as of January 31, 2010 were restated as follows:

Unrestricted net assets of \$128,778 were reclassified to temporarily restricted net assets to properly reflect cash and cash equivalents that were designated by donors to pay scholarships. Unrestricted net assets of \$9,494 were reclassified to permanently restricted net assets to properly reflect cash and cash equivalents that were designated by donors to fund endowments. Unrestricted net assets were reduced \$6,502 in order to reduce receivables and adhere to the modified cash basis of accounting. Permanently restricted net assets were reduced \$74,727 in order to remove endowment funds recorded relating to third party donations to a recipient organization for the benefit of the Foundation. Permanently restricted net assets were reduced \$29,392 in order to remove amounts recorded relating to intentions to give from trusts.

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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Net Assets - Beginning of Year, As Reported	\$ 410,078	\$ 306,253	\$ 433,692	\$ 1,150,023
Donor-Designated Funds for Scholarships	(128,778)	128,778	-0-	-0-
Donor-Designated Funds for Endowments	(9,494)	-0-	9,494	-0-
Receivables Recognized in Prior Year	(6,502)	-0-	-0-	(6,502)
Third Party Donations to Recipient Organization Recognized as Income in Prior Years	-0-	-0-	(74,727)	(74,727)
Intentions to Give From Trusts Recognized in Prior Years	-0-	-0-	(29,392)	(29,392)
<u>Net Assets - Beginning of Year, Restated</u>	\$ 265,304	\$ 435,031	\$ 339,067	\$ 1,039,402

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – TAX EXEMPT STATUS

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

Management has reviewed the Foundation's tax positions and concluded that there are no uncertain tax positions that require accrual in the financial statements or disclosure in the footnotes to be in compliance with authoritative literature. Generally, the Foundation is no longer subject to income tax examination by federal, state or local tax authorities for years prior to the fiscal year ended January 31, 2008.

NOTE 8 – DONATIONS AND GIFTS

The Foundation transferred various assets with a net book value of \$162,100 to the United Methodist Foundation relating to the former residence of the President of Redlands Community College (Petree House). Cash and Cash Equivalents from a matured Certificate of Deposit in the amount of \$100,000 was transferred, along with Property and Equipment of \$323,466 with accumulated depreciation of \$261,366.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

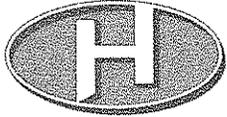
Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. As of January 31, 2011, The Foundation had funds totaling \$91,668 in excess of federally insured limits that are subject to credit risk. The Foundation places its cash and cash equivalents with high credit quality financial institutions and, therefore, does not believe significant credit risk exists with these deposits.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Foundation leases certain properties to Redlands Community College on an annual basis. Lease income for the year ended January 31, 2011 totaled \$6,501.

NOTE 11 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 12, 2011, the date the financial statements were available to be issued.



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

Board of Regents  
Redlands Community College  
El Reno, Oklahoma

**Compliance**

We have audited Redlands Community College's (the College) compliance 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, 2011. 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.

In our opinion, 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, 2011.

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**Internal Control over Compliance**

The management of Redlands Community College is responsible for establishing and maintaining effective internal control over compliance with 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 internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is more than a reasonable possibility that non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

**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, 2011, and have issued our report thereon dated September 16, 2011. 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.

*Hilde & Company, PC*

Tulsa, Oklahoma  
September 16, 2011



**Redlands Community College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Education</b>		
Student Financial Assistance		
Federal Pell Grant	84.063	\$ 3,936,923
Federal Supplemental Education Opportunity Grant	84.007	24,400
Federal Family Education Loans	84.032	3,128,198
Federal Work Study	84.033	56,019
Federal Academic Competitiveness Grant	84.375A	8,775
Total Student Financial Aid Cluster		<u>7,154,315</u>
TRIO Program Cluster		
Upward Bound	84.047A	283,875
Veterans Upward Bound	84.047V	263,506
Student Support Services	84.042A	248,551
Total TRIO Program Cluster		<u>795,932</u>
United States Department of Education – Other Programs		
Carl Perkins Vocational & Technical Funds	84.048	65,730
Carl Perkins Tech Prep	84.243	39,807
FIPSE Nursing	84.116Z	
		<u>105,537</u>
Pass-Through - Other Program, State of Oklahoma		
Stabilization Education Grants, ARRA Funds	84.394 ARRA	382,896
Total Stabilization Education Grants		<u>382,896</u>
Total Other Programs		<u>488,433</u>
<b>Total U.S. Department of Education</b>		<u><b>8,438,680</b></u>
<b>U.S. Department of Health and Human Services</b>		
Passed through OSHRE		
Temporary Assistance to Needy Families	93.558	276,248
AHEC – Scholars for Excellence in Child Care	93.596	93,651
Total OSHRE		<u>369,899</u>
Passed through Area Agency on the Aging		
Title III-B	93.044	73,355
Title III-C	93.045	251,573
Title III-D	93.043	1,820
Title III-E	93.052	8,000
NSIP	93.053	26,588
Total Area Agency on the Aging		<u>361,336</u>
National Institute for Health and Human Services		
East Central University		
Initiative for Minority Students: Bridges to		
Baccalaureate Degree	93.960	10,076
Total Initiative for Minority Students		<u>10,076</u>
<b>Total U.S. Department of Health and</b>		
<b>Human Services</b>		<u><b>\$ 741,311</b></u>



**Redlands Community College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Commerce</b>		
Oklahoma Manufacturing Alliance	11.611	\$ <u>84,118</u>
<b>Total U.S. Department of Commerce</b>		<u>84,118</u>
<b>National Science Foundation</b>		
Passed through Missouri State University		
VESTA	47.076	<u>52,260</u>
<b>Total National Science Foundation</b>		<u>52,260</u>
<b>TOTAL EXPENDITURES FOR FEDERAL AWARDS</b>		<b>\$ <u>9,316,369</u></b>



**Redlands Community College**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

**Note 1: Summary of Significant Accounting Policies**

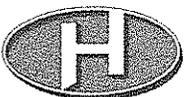
The schedule of expenditures of federal awards includes the federal awards activity of Redlands Community College (the College) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State 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, 2011, the College did not provide any federal awards to subrecipients.



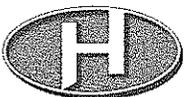
**Redlands Community College**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2011**

**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
Area Wide Aging Cluster	93.043, 93.044, 93.045, 93.052, 93.053

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
  
9. The College does qualify as a low-risk auditee as defined by OMB Circular A-133.



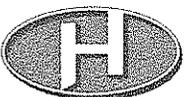
**Redlands Community College**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2011**

**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

