



FINANCIAL STATEMENTS & AUDITORS' REPORTS FOR FY 2005-06

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MANAGEMENT'S LETTER

The purpose of this report is to provide readers with fiscal information on the activities and financial condition of Aims Junior College District (the District) as a whole. It incorporates the financial activities of the Continuing Education Authority and the Aims Leasing Corporation, which are blended component units of the District and those of Aims Community College Foundation, a discretely presented component unit.

The report consists of the District's basic financial statements and notes thereto, actual to budget comparisons, and additional information. We have also included our analysis of the financial results of the District. These statements were prepared in conformity with accounting principles generally accepted in the United States of America, Colorado Higher Education Standards, and other applicable guidelines. Readers are encouraged to read the accompanying notes along with their review of the financial statements.

The management of the District is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based on judgment. Other financial information in the annual report is consistent with information in the financial statements. A system of internal accounting controls is in place to assure that the financial reports and the books of accounts properly reflect the transactions of the District.

The Board of Trustees of the District monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements and the evaluation and adoption of budgets.

The financial statements of the District and notes thereto have been audited by BKD, LLP. Their opinions follow.

Carol J. Hoglund Chief Business Officer Susan Dale Chief Financial Officer



Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees Aims Junior College District Greeley, Colorado

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Aims Junior College District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Aims Community College Foundation, the discretely presented component unit of the District. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Aims Community College Foundation, is based solely on the report of the other accountants. Their report, dated September 21, 2006, included a going concern uncertainty explanatory paragraph, which is discussed in Note 1.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Aims Community College Foundation, the discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*. 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 and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and of the discretely presented component unit of Aims Junior College District as of June 30, 2006, and the respective changes in financial position and cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2006, on our consideration of the District'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 or on 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.

A member of Moores Rowland Interpational Inter

Board of Trustees Aims Junior College District

The accompanying management's discussion and analysis as listed in the table of contents 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

BKD, LLP

October 4, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

The Aims Junior College District's (the District) financial report includes note disclosures and is prefaced by this Management's Discussion and Analysis (MD&A). The MD&A is designed to provide an easily readable analysis of financial activities for the year ended June 30, 2006. The analysis is based on currently known facts and is prepared by the office of the Chief Business Officer. The MD&A begins with brief highlights and is followed by more in-depth analysis.

Financial and Enrollment Highlights

The following significant highlights occurred during the year ended June 30, 2006:

- Net assets increased by 26.5% due to higher general property tax revenues.
- Unrestricted net assets increased 55.1%, primarily due to higher general property tax revenues.

State appropriations received in fiscal year 2006 were \$7,299,887 which was \$517,580 higher than the 2005 State appropriations received of \$6,782,307. The additional appropriation by the state was due to the passing of Referendum C, which is a measure to temporarily override the current TABOR revenue formula that limits annual growth in state revenues to the rate of change of inflation plus population. The revenue retained by the State with the passing of Referendum C was partially earmarked to help fund higher education.

- Operating revenues decreased 4.4% as result of lower tuition revenue resulting from a drop in enrollment, decreased grant and contract revenues, and lower auxiliary revenue.
- Total Operating Expenses for 2006 decreased .8% from 2005.
- Personnel costs decreased \$0.8 million or 3.5% as a result of a reduction in retention and recognition costs and the timing of hiring replacement employees.
- Operating costs included in operating expenses by natural classification increased \$0.5 million or 5.5% as a result of higher non-capitalized expenditures.
- Student Aid decreased \$0.3 million or 6.9% as a result of a reduction in student aid programs.
- Student full-time equivalent (FTE) enrollment decreased 3.8% over last fiscal year.

Financial and Enrollment Highlights (cont'd)

The tables below summarize student enrollment data over the past five years. The District is aggressively pursuing solutions to reverse the downward trend in enrollments.

Student Headcount Enrollment						
Fiscal Year	Unduplicated Headcount	Percent Change				
2006	7,430	-3.6%				
2005	7,710	-15.5%				
2004	9,128	-24.5%				
2003	12,085	-10.9%				
2002	13,556	-3.4%				

Student FTE Enrollment								
		Reside	nt FTE		Non-res	ident FTE	Combi	ned FTE
Fiscal Year	In-District	Out-of- District	TOTAL	Percent of Change	Out-of- State	Percent of Change	TOTAL	Percent of Change
2006	2,266	583	2,849	-3.97%	113	-0.29%	2,962	-3.83%
2005	2,336	631	2,967	-7.49%	113	-2.71%	3,080	<i>-</i> 7.31%
2004	2,437	770	3,207	-8.50%	116	-27.00%	3,323	-9.30%
2003	2,662	843	3,505	-6.40%	159	-23.60%	3,664	-7.30%
2002	2,946	799	3,745	4.73%	208	-11.90%	3,953	3.70%

Net assets increased by \$8,180,212 for 2006 in spite of declining student enrollments. This is an indication that the financial health of the District has improved regardless of decreases in these critical factors.

The following is management's discussion of the results of operations and overview of the financial statements.

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the District. It presents the fiscal resources of the District (assets), the claims against those resources (liabilities), and the residual available for future operations (net assets). The Statement of Net Assets is prepared using the accrual basis of accounting, which is similar to the accounting methodology used by most private sector companies. Assets and liabilities are classified by liquidity as either current or noncurrent. Net assets are classified by the way in which they may be used for future operations. An increase or decrease in the District's net assets is one indicator of whether its financial health is improving or deteriorating. Consideration of other nonfinancial factors will need to be used to assess the overall health of the District. For the year ended June 30, 2006, net assets increased 26.5%.

Condensed Statement of Net Assets

	June 30, 2006	June 30, 2005
Assets		
Current Assets	\$ 25,276,728	\$ 19,647,287
Noncurrent Assets - Noncapital	1,444,238	502,483
Capital, Net of Accumulated Depreciation	24,244,726	22,389,768
Total Assets	 50,965,692	42,539,538
Liabilities		
Current Liabilities	4,921,533	4,359,612
Noncurrent Liabilities - Loans Payable	4,286,919	3,520,787
Noncurrent Liabilities - Capital Leases	2,081	19,102
Other Noncurrent Liabilities	2,679,455	3,744,545
Total Liabilities	 11,889,988	 11,644,046
Net Assets		
Invested in Capital Assets		
Net of Related Debt	19,507,627	17,938,406
Restricted	1,199,500	1,116,016
Unrestricted	18,368,577	11,841,070
Total Net Assets	\$ 39,075,704	\$ 30,895,492

Current Assets

Cash and cash equivalents (\$17,295,225) comprise 34% of the District's assets. The current ratio (current assets over current liabilities) is approximately five to one (5:1). This means that for every dollar (\$1) of liability currently due next fiscal year, the District has almost five dollars (\$5) of assets available to pay them. This year's current ratio increased 14.0% from the prior year. Financial prudence holds that this ratio should be at least two to one (2:1).

Capital Assets

Capital assets consist of District property and improvements thereto, with a unit cost of \$5,000 or more. The increase in net capital assets of 8.3% is primarily attributable to the construction of the new Mildred S. Hansen building, the construction in progress for the new Allied Health & Science building, and various improvements to existing buildings and land on campus. The increase is net of the disposal of plant assets and the effect of the increase in accumulated depreciation as a result of capital acquisitions and current year depreciation. Note 5 of this report summarizes the changes in capital assets between fiscal year 2006 and 2005.

Liabilities

Obligations of the District increased 2.1% over last year's amount. The increase is partially attributable to the increase in long-term debt related to consolidation and refinancing of the Continuing Education loans with Wells Fargo Bank. Most of the effects of this increase were offset by the reduction in long-term liabilities for retirement benefits and compensated absences or unused leave by employees of the District. The compensated absences liability decreased 26.5% from the amount in 2005, and the retirement benefits obligation decreased 14.9% from the same period. This change is in direct relation to the college's implementation of a buyout plan for retirement benefits and accrued compensated absences completed in 2006. More information about the District's long-term debt is presented in Notes 10-14 of the financial statements.

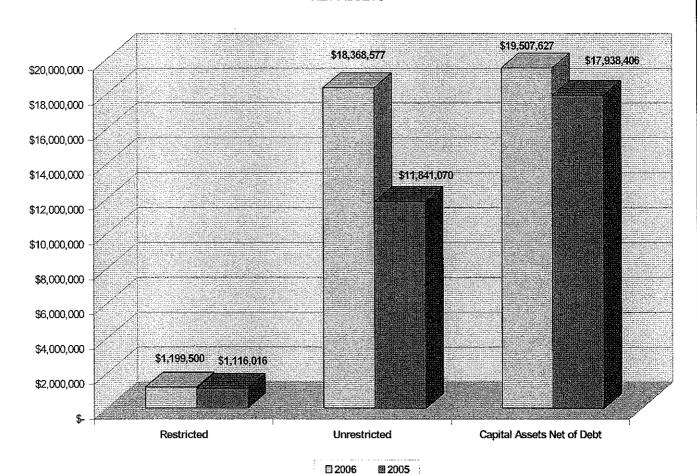
Net Assets

Net assets increased 26.5% in fiscal year 2005-06 primarily due to higher nonoperating revenue. Net assets are the resources available for future operations, that is, assets reduced by liabilities. The District's largest class of assets is its capital assets. Even after consideration of related debt, capital assets net of debt comprise 49.9% of the District's net assets.

Net Assets (cont'd)

It is important to recognize that the Unrestricted Net Assets of \$18.4 million include resources that, while "unrestricted" under legal and financial reporting definitions, are in fact dedicated to particular purposes. Most notably, the Unrestricted Net Assets include \$13.6 million earmarked for reserves for capital construction and general campus capital equipment, as directed by the Board of Trustees. Remaining Unrestricted Net Assets include departmental operating funds and the net assets of the Continuing Education Authority.

NET ASSETS



Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA)

The Statement of Revenues, Expenses, and Changes in Net Assets present the financial activity of the District throughout the fiscal year, and how it increased or decreased net assets. The focus is on Operating Revenues and Expenses, and it is important to recognize that while State appropriations and property taxes are budgeted for operations, they are reported as nonoperating revenue. This statement is also prepared using the accrual basis of accounting.

Condensed Statement of Revenues, Expenses	, and Changes in N	et Assets
	June 30, 2006	June 30, 200
Operating Revenues		
Net Tuition & Fees	\$ 8,897,457	\$ 9,442,653
Grants & Contracts	6,577,083	6,924,126
Auxiliary	3,057,022	3,154,455
Other	477,072	354,705
Total Operating Revenues	19,008,634	19,875,939
Operating Expenses		
Educational & General	35,452,974	35,910,651
Auxiliary	2,404,247	2,462,878
Depreciation	2,186,353	2,015,607
Total Operating Expenses	40,043,574	40,389,136
Operating Loss	(21,034,940)	(20,513,197
Nonoperating Revenues (Expenses) and Gains (Losses)		
General Property Taxes	21,333,929	17,661,188
State Appropriations	7,299,887	6,782,307
Contributions from the Foundation	219,284	219,991
Investment income	669,942	241,594
Interest on Capital Asset Related Debt	(204,739)	(213,362
Loss on Disposal of Assets	(157,681)	(249,007
Other	54,530	-
Total Nonoperating Revenues	29,215,152	24,442,711
Increase in Net Assets	8,180,212	3,929,514
Net Assets - Beginning of Year	30,895,492	26,965,978
Net Assets - End of Year	\$ 39,075,704	\$ 30,895,492

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd) For the year ended June 30, 2006, the District had a net operating ratio of negative 1.11. This ratio measures the operating income or loss in relation to the total operating revenues. A negative 1.11 operating ratio means that operating expenses were 111% greater than operating revenues. The net operating ratio will usually be a negative number because nonoperating revenues are reported below the operating income or loss subtotal.

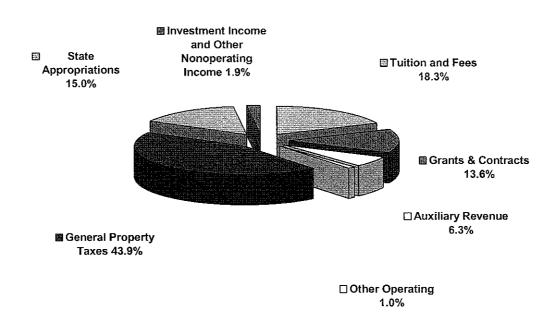
Compared to prior year's operating ratio of negative 1.03, the 2006 ratio declined 7.2%. This means from fiscal year 2005 to 2006 operating revenues decreased at a higher rate than operating expenses for this same period. Operating revenues decreased 4.4%, while operating expenses decreased only 0.9%.

Primary factors contributing to decreased operating revenues include:

- A reduction in tuition and fees by 5.8% relating to lower enrollment, and a 5.0% decrease in revenues for grants and contracts.
- A 3.1% decrease in Auxiliary revenues which can also be attributed to lower enrollment figures.

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd) Other significant changes on the SRECNA include the \$3.7 million increase in Property tax revenue. State of Colorado appropriations increased to \$7.3 million for 2006 compared to the 2005 appropriations of \$6.8 million. At this time, there is an unknown risk of future state appropriations due to the uncertain future economic outlook for the State of Colorado.

TOTAL REVENUES SOURCES



Net revenue from all sources net of scholarship allowances totals \$48.6 million, with \$19.0 million generated from Operating Revenues and \$29.6 million in nonoperating revenues.

General property taxes represent the single largest source (44%) of total revenue to the District, which is 5% higher than in year 2005 (39%). Tuition and fee revenue net of the scholarship allowance is the second largest source (18%). In fiscal year 2006, Grants & Contracts declined to 14% of the total revenue compared to 16% for 2005. State Appropriations remained the same for 2006 and 2005 at 15%.

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd) Reporting standards require tuition and fees to be shown net of scholarship allowances which were \$1,124,821 for 2006. Scholarship allowances are those portions of tuition and fees, which are paid by other revenues, primarily federal and state grants for financial aid and also general institutional scholarships.

Expenses

Operating Expenses are reported on the SRECNA by functional classification. This classification represents the types of programs and services provided by the District. The District also summarized its expenses by their natural classification, which represents expenses by type, regardless of the program or service. The tables below illustrate expenses by functional and natural classifications. Management's analysis for significant changes follows each table.

Functional Classifications

Operating Expenses by Function

	Year Ended				
		June 30, 2006		June 30, 2005	
Instruction Public services	\$	14,612,449	\$	15,054,547	
Academic support		56,534 5,480,984		94,517 5,182,235	
Student services Institutional support		3,306,194 4,526,602		3,187,622 5,336,653	
Operation of plant Student aid		3,853,600 3.616,611		3,171,941 3,883,136	
Auxillary operating		2,404,247		2,462,878	
Depreciation and amortization		2,186,353		2,015,607	
Total Operating Expenses	\$	40,043,574	\$	40,389,136	

Management's Analysis of Functional Classifications

Instruction expenses declined in 2006 due to lower employment and operating costs associated with the reduction in enrollment.

Academic Support increased 5.8% for 2006 primarily due to increased capital expenditures for technology and the costs associated with the support of those expenditures.

Institutional support expenses decreased \$0.8 million due to lower employment costs.

Operation of Plant increased \$0.7 million primarily due to higher utility costs and contracted services.

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)

Management's Analysis of Functional Classifications (cont'd)

Student aid net of scholarship allowances decreased 6.9% as a result of decreased financial aid (federal loan programs) and lower enrollment. Although loan funds are not reported in the SRECNA, they are a factor in determining the scholarship allowance which offsets against tuition and fee revenue and student aid line items to derive the net amounts.

Natural Classifications

Operating Expenses by Natural Classification								
Year Ended								
	June 30, 2006 June 30, 20							
Employee & Personnel Services	\$	22,370,363	\$	23,185,884				
Operating		10,292,704		9,755,567				
Cost of Goods Sold		1,577,543		1,548,942				
Depreciation		2,186,353		2,015,607				
Student Aid		3,616,611		3,883,136				
Total Operating Expenses	\$	40,043,574	\$	40,389,136				

Management's Analysis of Natural Classifications—Employee and personnel costs decreased \$0.8 million or 3.5%. The decrease is primarily due to timing of replacements for retired and resigned employees

Operating costs increased \$0.5 million as a result of higher expenditures on non-depreciable capital assets.

Cost of goods sold increased 1.8% due to the increase in the cost of text books.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash payments during the past year. A summary is presented here with more detail on the actual statement.

The primary cash received from operating activities includes tuition and fees and grant and contract revenues. Cash outlays for operations include payments for salaries, wages, benefits, supplies, and services. Just as the General Property Taxes and State appropriations are not reported as Operating Revenue, cash flows from both are not considered as operating sources, but as noncapital financing. Significant changes in this statement are noted below:

- Net cash used by operating activities increased over 2005 by \$1.61 million primarily due to the combined affect of a decline in cash from Tuition and fees of 9.6% and a 5.7% decrease in cash from Grants and contracts. Cash payments for the year stayed relatively flat.
- Cash flows provided from noncapital financing increased over 2005 by \$3.7 million due to the increase in general property tax revenue, and additional State appropriations received due to the passing of Referendum C.
- Cash used by capital and related financing activities increased 65.6% due to the
 completion of construction of the new Mildred S. Hansen building for Criminal
 Justice and Emergency Medical programs, and increased expenditures for
 building improvements and technology. In addition, the college expended
 \$700,000 in 2006 to cap one of two existing oil wells on the Greeley campus.
- The increase in net cash flows from investing activities for 2006 compared to 2005 was due to the increased earnings on invested assets due to higher interest rates.

Overall, the District's cash position increased \$4.2 million or 32.1% in spite of declining enrollments and relatively flat State appropriations.

Economic Outlook

Factors affecting the future of the District include student enrollment and the amount of funding received from district property taxes and State appropriations. Each factor is sensitive to the condition of the local and statewide economies. Other factors include the ability of the District to meet educational needs of the community and attracting and retaining qualified faculty and staff.

Student FTE enrollment declined 3.8% in the current year compared to a 7.3% decline in 2005. The downward trend in FTE enrollments since fiscal year 2002 has slowed down considerably this year. The decline is partly attributed to the conversion from quarters to semesters, and changes in enrollment reporting policies. The District will continue its diligent efforts to reverse this trend.

State appropriations improved in fiscal 2006, primarily due to the State's passing of Referendum C. However the State's economic situation is still a concern. The fiscal year 2007 State appropriation is expected to increase slightly due to Referendum C, however, that could change depending on the State's economic situation due to a slowing economy, funding issues, and the upcoming elections for Governor.

The growth and the assessed valuation of property within the taxing district play an equally critical role as the State support erodes. Six counties contribute to the assessed value of the taxing district, with the largest contribution coming from Weld County. Growth and assessed valuation have grown steadily but are anticipated to slow down over the next year. Based on this information, the District anticipates property tax revenue to increase by at least 10% in FY 2007. However, is should be noted that the increase is primarily due to the increase in property tax revenue that is derived from oil and gas, which in 2006 made up 48% of the total property tax revenue received from Weld County.

Given declining enrollments and State appropriations uncertainty, the District has continued its implementation of the following strategies:

- Assess educational needs of the community and adjust instructional programs accordingly.
- Develop and implement strategies to improve student retention.
- Implement initiatives to offset declining State appropriations.

Additionally, the District analyzes tuition rates annually and adjusts tuition based on funding mix and projected costs. The District's tuition remains competitive with other Colorado community colleges.

The District will continue to explore solutions that will support its educational mission and strengthen its presence in the community.

Requests for Information

This financial report is designed to provide a general overview of the Aims Junior College District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information for the District and the financial statements of Aims Community College Foundation should be addressed to the Chief Business Officer, Aims Junior College District, PO Box 69, 5401 W. 20th Street, Greeley, Colorado, 80632.



BASIC FINANCIAL STATEMENTS

AIMS JUNIOR COLLEGE DISTRICT STATEMENT OF NET ASSETS

June 30, 2006

ASSETS

Current Assets:		
Cash and cash equivalents	\$	17,295,225
Short-term investments	*	1,090,531
Accrued interest receivable		3,784
Student accounts receivable, net of allowance of \$454,016		634,258
Accounts receivable, net of allowance of \$18,183		847,200
Property tax receivable		4,424,358
Inventories		627,274
Other current assets		354,098
Total Current Assets		25,276,728
Noncurrent Assets:		23,210,720
Land held for development		451,565
Prepaid land development costs		700,000
Long-term investments		292,673
		1,444,238
Nondepreciable Capital Assets:		,
Land		1,025,588
Land improvements		1,102,449
Art/historical figures		21,132
Construction in Progress		1,780,925
Depreciable Capital Assets:		
Land improvements		1,160,413
Buildings and improvements		13,030,063
Leasehold improvements		23,299
Equipment and Furniture		6,100,857
Total Capital Assets (net)		24,244,726
Total Noncurrent Assets		25,688,964
TOTAL ASSETS		50,965,692
IABILITIES		
Current Liabilities:		
Accounts payable		1,980,384
Accrued liabilities		886,102
Deferred revenue		563,642
Loans payable, current portion		431,079
Capital leases payable, current portion		17,020
Retirement benefits payable, current portion		745,132
Compensated absence liabilities, current portion		250,000
Deposits held in custody for others		48,174
Total Current Liabilities		4,921,533
Noncurrent Liabilities:	•	
Loans payable		4,286,919
Capital leases payable		2,081
Retirement benefits payable		1,551,553
Compensated absence liabilities		1,127,902
Total Noncurrent Liabilities		6,968,455
TOTAL LIABILITIES		11,889,988
IET ASSETS		
Invested in capital assets, net of related debt		19,507,627
Restricted for:		
TABOR reserves		1,164,487
Expendable purposes:		
Loans		6,035
Non-governmental grants and contracts		28,978
•		18,368,577
Unrestricted		

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AIMS COMMUNITY COLLEGE FOUNDATION STATEMENT OF FINANCIAL POSITION

June 30, 2006

ASSETS		
Cash and cash equivalents	\$	266,892
Investments		3,004,027
Contributions receivable, net		982,018
Student loans receivable, net		4,564
Prepaid expenses		3,500
Donor restricted funds advanced for unrestricted operations		169,045
Interest receivable		3,063
TOTAL ASSETS	\$	4,433,109
LIABILITIES		
Accounts payable	\$	644
Borrowing from donor restricted funds	·	169,045
Split interest payable		4,251
Deferred revenue		48,016
TOTAL LIABILITIES		221,956
NET ASSETS		
Unrestricted		(168,048)
Temporarily restricted		1,983,107
Permanently restricted		2,396,094
TOTAL NET ASSETS	<u> </u>	4,211,153
TOTAL LIABILITIES AND NET ASSETS	\$	4,433,109

AIMS JUNIOR COLLEGE DISTRICT STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2006

REVENUES	
Operating Revenues:	
Student tuition and fees, net of scholarship allowances of \$1,124,821	\$ 8,897,457
Federal grants and contracts	4,924,326
State and local grants and contracts	1,652,757
Auxiliary operating revenue	3,057,022
Other operating revenue	 477,072
Total Operating Revenues	 19,008,634
EXPENSES	
Operating Expenses:	
Educational and general	
Instruction	14,612,449
Public services	56,534
Academic support	5,480,984
Student services	3,306,194
Institutional support	4,526,602
Operation of plant	3,853,600
Student aid	3,616,611
Depreciation	2,186,353
Auxiliary operating	2,404,247
Total Operating Expenses	 40,043,574
Operating Loss	 (21,034,940)
NONOPERATING REVENUES (EXPENSES)	
General property taxes	21,333,929
State appropriations	7,299,887
Contributions from the Foundation	219,284
Investment income	669,942
Interest on capital asset related debt	(204,739)
Loss on disposal of assets	(157,681)
Other	54,530
Net Nonoperating Revenues	29,215,152
Increase in Net Assets	8,180,212
Net Assets	
Net assetsbeginning of year	 30,895,492

See accompanying notes to financial statements

Net Assets--End of Year

39,075,704

AIMS COMMUNITY COLLEGE FOUNDATION STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2006

			Te	mporarily	Pe	rmanently		
Revenue and Gains:	Un	restricted	R	estricted	R	estricted		Total
Contributions	\$	103,248	\$	1,419,021	\$	3,725	\$	1,525,994
Investment earnings		24,560		129,772		-		154,332
Special events, net		(1,376)		•		-		(1,376)
Net assets released from restrictions:								
Satisfaction of program restrictions		438,549		(438,549)		-		-
Total revenues and gains		564,981		1,110,244		3,725		1,678,950
Expenses								
Program services:								
Scholarships:								
Student		138,703		-		-		138,703
Childcare subsidy		38,547		-		-		38,547
Contributions to College:								
Automotive		46,568						46,568
Colorado Trust grant		37,133						37,133
Fire Science		36,260		-		-		36,260
Aviation faculty development		34,912		-		-		34,912
Medical programs		10,000		-		-		10,000
Childcare		4,462		-		-		4,462
Other		11,402		-		-		11,402
Total Program Services		357,987		-				357,987
Support Services:								
Fund raising		107,550		-		-		107,550
General and administrative		143,677		-		-		143,677
Total Support Services		251,227			-	-		251,227
Total Expenses		609,214		-		•		609,214
Donor Transfers		(2)		(44,854)		44,856		-
Change in net assets		(44,235)		1,065,390		48,581		1,069,736
Net assetsbeginning of year		(123,813)		917,717		2,347,513		3,141,417
Net assetsend of year	\$	(168,048)	\$	1,983,107	\$	2,396,094	_\$	4,211,153

AIMS JUNIOR COLLEGE DISTRICT STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received:	
Tuition and fees	\$ 8,979,126
Sales of services	836,602
Sales of products	2,063,270
Grants and contracts	6,390,441
Other receipts	322,301
Cash Payments:	
Payments to and for employees	(23,300,669)
Payments to suppliers	(11,469,873)
Scholarships disbursed	(3,616,611)
Net cash used by operating activities	(19,795,413)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in land held for development	(161,735)
Receipts from the Foundation	214,833
State appropriations, noncapital	7,299,887
General property taxes, noncapital	20,484,263
Decrease in deposits held in custody for others	(18,524)
Net cash provided by noncapital financing activities	 27,818,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition or construction of capital assets	(4,362,431)
Proceeds from promissory note	5,062,500
Principal paid on loans and capital leases	(4,776,763)
Interest paid on loans and capital leases	(226,252)
Net cash used by capital financing and related activities	(4,302,946)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,085,420)
Proceedes from sales of investments	886,228
Investment earnings	 679,818
Net cash provided by investing activities	 480,626
Net Increase in Cash and Cash Equivalents	4,200,991
Beginning cash and cash equivalents balance	 13,094,234
Ending cash and cash equivalents balance	\$ 17,295,225
Reconciliation of operating loss to net cash	
used by operating activities:	
Operating loss	\$ (21,034,940)
Adjustments to reconcile operating loss to net cash	
used by operating activities:	
Depreciation expense	2,186,353
Decrease (increase) in assets:	
Receivables, net	(133,483)
Inventories & prepaids	(746,175)
Increase (decrease) in liabilities:	
Accounts payable	1,146,551
Accrued liabilities	(30,090)
Deferred revenues	(283,412)
Retirement benefits payable	(402,319)
Compensated absences	(497,898)
Net cash used by operating activities	\$ (19,795,413)

AIMS COMMUNITY COLLEGE FOUNDATION STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES Cash received from donors Interest and dividends received Cash paid to support College programs Cash paid to employees and suppliers Net cash (used) provided by operating activities	\$ 583,737 108,281 (357,987) (265,316) 68,715
CASH FLOWS FROM INVESTING ACTIVITIES Net increase in investments Net cash (used) by investing activities	(13,268) (13,268)
CASH FLOWS FROM FINANCING ACTIVITIES Contributions restricted for endowments Net cash provided by financing activites	 3,725 3,725
Net (decrease) in cash and cash equivalents	59,172
Beginning cash and cash equivalents balance	 207,720
Ending cash and cash equivalents balance	\$ 266,892
Reconciliation of change in net assets to net cash (used) provided by operating activities:	
Change in net assets Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:	\$ 1,069,736
Net (increase) on investments Contributions restricted for endowments Changes in operating assets and liabilities:	(46,051) (3,725)
Contributions receivable	(981,518)
Student loans receivable	(4,564)
Prepaid expenses Interest receivable	(2,208) 1,161
Accounts payable	(11,881)
Split interest payable	(251)
Deferred revenue	 48,016 [°]
Net cash (used) provided by operating activities	\$ 68,715



NOTES TO FINANCIAL STATEMENTS

Reporting Entity

Aims Junior College District (the District) is a self-governing junior college district with direct taxing authority. The District was formed in January 1967 to serve the post-high school educational needs of Weld County, Colorado and adjacent counties, including vocational and adult education. Aims Junior College District operates under the name of Aims Community College (the College).

The financial statements of the District include all of the integral parts of the District's operations. The District applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the District's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

As required by generally accepted accounting principles, these financial statements present the District (primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* which was adopted by the District for fiscal year 1994, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* which was adopted by the District for fiscal year 2004.

Blended Component Units

The Aims Continuing Education Authority (the Authority), a not-for-profit corporation under the Colorado Nonprofit Corporation Act, was established July 1, 1996, to provide continuing education services.

The Aims Leasing Corporation, a Colorado non-profit corporation (the Corporation), was established on February 6, 2002, to acquire real and personal property to be used by the College or the Authority.

These entities are blended with the District because they provide services entirely to the District or among each other.

Discretely Presented Component Unit

The Aims Community College Foundation (Foundation), a not-for-profit corporation under Article 40, Title 7 of the Colorado Revised Statutes of 1973, was established in 1979 to promote the welfare, development, growth, and wellbeing of Aims Community College, and also to permit the Foundation to engage in such activities as may be beyond the scope of the Trustees of the District. In addition, the Foundation is concerned and involved in the affairs of the community. The Foundation is discretely presented in the District's financial statements because it meets the three criteria contained in GASB 39 for inclusion as a component unit. The Foundation is a separate legal entity from the District. The voting members of the Foundation's Board of Directors are composed of a group of concerned individuals, one of whom is a member of the District staff. The Foundation contributed \$180,737 to the operations of the District and \$177,250 for scholarships for the year ended June 30, 2006. Of the scholarships amount, \$138,703 was applied directly to student accounts receivable. The District provided approximately \$24,669 to the Foundation to support grant activities. The District has recorded \$24,594 as Deposits Held in Custody for Others on behalf of the Foundation as of June 30, 2006.

The Foundation has not generated adequate levels of unrestricted contributions to cover its operating expenses. In order to fund operations, the Foundation has borrowed funds from temporarily restricted assets to cover this shortfall at June 30, 2006. These conditions create an uncertainty about the Foundation's ability to continue as a going concern.

Included in management's plans to reduce the unrestricted deficit are the following:

The Foundation began a major capital campaign in the fiscal year 2005-2006. Contributions to this campaign as of and for the year ended June 30, 2006 totaled approximately \$1,100,000. Although most capital campaign contributions raised to date include donor restrictions, and future contributions from this campaign may also include donor-restrictions, the Foundation expects increases in invested assets will generate additional unrestricted earnings as a result of the administrative fee charged for investment administration.

In an attempt to consolidate the financial aid process and better serve the students of the College, the process of awarding scholarships has been outsourced to the Financial Aid Office of the College. The fiduciary responsibility to donors has been retained by the Foundation. In connection with this change in process, a senior employee of the Foundation responsible for scholarship administration retired at the end of the fiscal year 2005-2006. This position will not be replaced, which is expected to reduce the Foundation's operating costs.

The Foundation will begin assessing a 3% administrative fee on all gifts received in the fiscal year 2006-2007. This fee will result in unrestricted revenue regardless of donor restrictions which pertain to the underlying gift. If the amount of increases in revenues and reductions in support services are inadequate to return the unrestricted operations of the Foundation to a positive

The financial statements of the Foundation may be obtained at the following address:

basis, the Foundation may not be able to fund its on-going operations.

Aims Junior College District Attn: Chief Business Officer PO Box 69, 5401 W. 20th Street Greeley, CO 80632

Basis of Presentation and Changes in Accounting Principles

The District's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB) pronouncements, and Colorado Higher Education Accounting Standards.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB standards conflict with Governmental Accounting Standards Board (GASB) standards. The District has elected not to apply FASB pronouncements issued after the applicable date.

The Foundation's financial statements have been presented under the reporting format described in FASB No. 117, *Financial Statements of Not-for-Profit Organizations*.

Basis of Accounting

The District'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 is incurred. In addition, all significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposits, money market accounts, and other demand deposits, including funds deposited in Colorado Diversified Trust, an investment fund organized in accordance with Colorado State Statutes. For purposes of the statements of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The District 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 statement of revenues, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) basis.

Property Taxes

Property taxes are levied in November and attach as an enforceable lien on property as of January 1 of the following year. Taxes are payable in two installments on March 1 and June 15, or in full on April 30. The January 1, 2006, levy for the District was 6.36 mills, or approximately \$19,609,454. Anticipated tax revenue not received at June 30 is recorded as property tax receivable in the statement of net assets.

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 District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Interest cost is capitalized on assets constructed by the District during the period of construction.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 15 to 20 years for land improvements, and 3 to 10 years for equipment. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives of the 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 for summer tuition and fees are calculated based on the number of days falling within each respective fiscal year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employees' compensated absences are accrued at year-end for financial statement purposes. The current portion represents estimated amounts that will be paid out within one year.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of loans, capital lease and retirement benefit obligations maturing after one year and other estimated liabilities. Only amounts specifically identified as payable within one year are classified in current liabilities in the statement of net assets. Remaining balances have been classified as noncurrent liabilities as maturities are due in greater than one year or there is uncertainty as to when the estimated liabilities will be paid.

Net Assets

The District's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets—expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, property tax, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the Board of Trustees 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.

Classification of Revenue

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

Operating revenues: Operating revenues generally result from providing goods and services for instruction, public service or related support services to an individual or entity separate from the District.

Nonoperating revenues: Nonoperating revenues are those revenues that do not meet the definition of operating revenues. For example, nonoperating revenues include state appropriations, general property taxes, gifts, investment income, and insurance reimbursement revenue.

Scholarship Allowances

The District uses the "Alternate Method" prescribed by the National Association of College and University Business Officers (NACUBO) to compute its scholarship allowances or tuition discount.

Application of Restricted and Unrestricted Resources

The District's policy is to first apply an expense against restricted resources then toward unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

NOTE 2—BUDGET LAW

The Board of Trustees adopts an annual budget to authorize and control spending from the various accounting funds of the District and Continuing Education Authority (the Authority). The 2005-06 budget was amended in June 2006. The District's expenditures for a fund may not exceed the amount budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles. The preparation and adoption of the District's operating budget is prescribed by the School District Budget Law of 1964 (Article 44, Title 22 of the Colorado Revised Statutes).

NOTE 3: DEPOSITS AND INVESTMENTS

At June 30, 2006, the District's deposits of cash and certificates of deposits in banks was \$1,091,965. The entire bank balance was either covered by federal deposit insurance or collateralized under PDPA (see below). The District also had cash on hand of \$11,307at June 30, 2006.

Cash and cash equivalents as of June 30, 2006 is comprised of the following:

Colorado Diversified Trust	\$ 16,191,953
Union Colony Bank	151,621
Wells Fargo Advantage - Money Market	 23,898
	16,367,472
Certificates of deposit	916,446
Cash on hand	 11,307
Total	\$ 17,295,225

The Colorado Public Deposit Protection Act (PDPA) requires eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state.

The statutes of the State of Colorado authorize the District to invest in certificates of deposit, money market certificates, bonds or other interest-bearing obligations of the United States, state, county and school district bonds, and state, county and municipal warrants, obligations of national mortgage associations, certain repurchase agreements, local government investment pools, and government money market funds.

State law limits investments in commercial paper and corporate bonds to at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association. Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The District has no investment policy that would further limit its investment choices.

NOTE 3: DEPOSITS AND INVESTMENTS (cont'd)

As of June 30, 2006, the District's investment in Colorado Diversified Trust investment pool was rated AAAm by Standards and Poor. The District's investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association were rated AAA by Moody's Investors Service. The District's investment in Citigroup Incorporated bond is rated AA1 by Moody's Investors Service. The District's investment in General Electric Capital Corporation bond is rated AAA by Moody's Investors Service, and the Districts investment in the IBM Corporation bond is rated A1 by Moody's Investors Service.

As of June 30, 2006, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	Fair Value
Government issued or guaranteed bonds		
Federal National Mortgage Association	1/15/2009	\$ 99,531
Federal National Mortgage Association	10/15/2006	99,719
Federal Home Loan Mortgage Corporation	9/1/2006	198,260
Federal Home Loan Mortgage Corporation	9/14/2006	197,880
Federal National Mortgage Association	7/5/2006	199,940
Federal National Mortgage Association	8/16/2006	149,055
Federal National Mortgage Association	11/15/2006	147,060
	•	1,091,445
Corporate Obligations - Bonds	•	·
Citigroup Incorporated	2/1/2008	96,839
General Electric Capital Corporation	1/15/2007	98,617
IBM Corporation	9/15/2009	 96,303
		291,759
Total Investments		\$ 1,383,204
Summary of investments		
Short-term investments		\$ 1,090,531
Long-term investments		292,673
Total investments		\$ 1,383,204

NOTE 3: DEPOSITS AND INVESTMENTS (cont'd)

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

Credit Risk. State law limits investments in commercial paper and corporate bonds to at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. State law allows the investment of public funds in any security issued by, guaranteed by, or the credit of which is pledged for payment by the United States, a federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, or the government national mortgage association. Investments in these types of securities are limited to a term of five years from the date of purchase, unless the governing body authorizes investment for such period in excess of five years. The District has no investment policy that would further limit its investment choices. As of June 30, 2006, the District's investment in Colorado Diversified Trust investment pool was rated AAAm by Standards and Poor. The District's investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association were rated AAA by Moody's Investors Service.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. More than 92.0% of the District's investments are in the Colorado Diversified Trust investment pool. Approximately (6.2%) of the District's investments are invested in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These investments are 3.9% and 2.3%, respectively, of the District's total investments.

The following details the investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2006:

Mutual funds	\$ 533,319
Common stock	1,123,720
U.S. Treasury notes	551,588
Corporate bonds	763,945
Real estate and specialty assets	31,455
Total	\$ 3,004,027

NOTE 4—LAND HELD FOR DEVELOPMENT

Land held for development of \$451,565 is comprised of land, professional fees and site preparation costs related to land owned by the District that is being developed as a residential/commercial project either internally or through sale of the land to an outside developer.

NOTE 5—CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2006.

	J	Balance uly 1, 2005		Additions	D	eductions	Ju	Balance ine 30, 200
Capital assets, not being depreciated:								
Land	\$	1,294,107	\$	_	\$	268,519	\$	1,025,588
Land Improvements	Ψ	402,449	Ψ	700,000	Ψ	200,010	Ψ	1,102,449
Art/Historical Figures		21,132		700,000		_		21,13
Total capital assets, not		21,102						21,10
being depreciated		1,717,688		700,000		268,519		2,149,16
Capital assets, being depreciated:								
Land Improvements		2,245,530		_		-		2,245,53
Buildings & Improvements		26,687,092		1,582,524		-		28,269,61
Vehicles		698,577		73,761		51,149		721,18
Equipment		11,491,233		1,091,294		248,488		12,334,03
Leasehold Improvements		311,507		-		284,416		27,09
Total capital assets, being		1				•		
depreciated		41,433,939		2,747,579		584,053		43,597,46
Less Accumulated Depreciation								
Land Improvements		1,018,112		67,005		-		1,085,11
Buildings & Improvements		14,499,502		740,051		-		15,239,55
Vehicles		525,345		67,906		51,149		542,10
Equipment		5,304,272		1,281,866		173,869		6,412,26
Leasehold Improvements		144,917		29,525		170,650		3,79
Total Accumulated Depreciation		21,492,148		2,186,353		395,668		23,282,83
Total capital assets, being								
depreciated, net		19,941,791		561,226		188,385		20,314,63
Add Construction in Progress		730,289		1,780,925		730,289		1,780,92
Net Carrying Amount	\$	22,389,768	\$	3,042,151	\$	1,187,193	\$	24,244,72

Interest cost capitalized for 2006 was \$29,643.

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the CSSDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the CSSDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy

Plan members and the District are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the District is 10.15% thru December 31, 2005 and 10.65% as of January 1, 2006 of covered salary. As of July 1, 2005 PERA Retirees were included in the 10.65% employer's portion. Beginning with payroll periods ending after January 1, 2001, the employer contribution paid to the CSSDTF were reduced by an employer match on members' voluntary contributions to a defined contribution plan (DC). match, set by the Board of Trustees of PERA, is 100% of a member's eligible tax-deferred retirement program contributions limited by a per payroll whole percentage of PERA-includable salary limit (percentage set for 2002 was 3.0%, 2003 was 2.0% and 2004 was 1.1% from January 1, 2004, through June 30, 2004). Any unused DC match money is forwarded to the CSSDTF. Also, a portion of the District's contribution (1.10% of covered salary January 1, 2004 through June 30, 2006) is allocated for the Health Care Trust Fund.

The District's contributions to CSSDTF for the years ended June 30, 2006, 2005, 2004, and 2003, were \$1,760,804, \$1,690,487, \$1,662,931, and \$1,833,868, respectively, equal their required contributions for each year.

NOTE 7—DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The (CSSDTF) members (See Note 6) of the District may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$12,000 in 2003, \$13,000 in 2004, \$14,000 in 2005, and \$15,000 in 2006). Beginning January 1, 2001, an employer match was legislated, which would match 100% of a member's eligible tax-deferred retirement program contributions limited by 2.0% in 2003, 1.0% in 2004, and 0.0% for 2005 and 2006 per payroll of the PERA-includable salary. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended.

NOTE 8—POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

Health Care Program

PERACare (formerly known as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the program and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY 05-06, the premium subsidy was \$115 for those with 20 years of service credit (\$230 for members under age 65), and it was reduced by 5% for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution as discussed in Note 6.

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans and with health maintenance organizations providing services within Colorado.

Life Insurance Program

PERA provides its members access to term life and accidental death and dismemberment (AD&D) insurance offered by UNUM Provident (1 to 4 units), and may continue coverage into retirement. Members must be enrolled prior to retirement and cannot add units after retirement. Premiums are paid monthly by payroll deduction or other means.

NOTE 9-COMMITMENTS AND CONTINGENT LIABILITIES

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, gifts, federal funds, reserve expenditures, damage awards, or property sales. The District believes it is in compliance with the requirement of TABOR.

On November 2, 1999, voters in the District approved superseding the provisions of TABOR and other State requirements that limit the amount of revenue the District could retain each year, without increasing or adding taxes of any kind. Included in the accompanying financial statements are emergency reserves required by TABOR of at least 3% of fiscal year spending. The emergency reserve of \$1,164,487 is recorded as restricted net assets on the statement of net assets.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, though the District expects such amounts, if any, to be immaterial. The District believes it is in compliance with all requirements of the grantor agencies.

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for risks of loss in excess of deductible amounts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 10—COMPENSATED ABSENCES

District employees accrue annual vacation and sick leave based on length of service and may accumulate it subject to certain limitations regarding the amount that will be paid upon termination.

The estimated liability related to compensated absences for which employees are vested at June 30, 2006, is \$1,377,902. In June 2006 benefited employees who had accrued sick time greater than 640 hours had their excess hours paid out based on the following criteria:

- Employees who began working at Aims Community College prior to July 1, 1997 and had completed 15 continuous years of employment received a payment for their excess accrued sick hours based on their current hourly rate multiplied by 33.33%.
- Employees who began working at Aims Community College prior to July 1, 1997 and had not completed 15 continuous years of employment received a payment for their excess accrued sick hours based on their current hourly rate multiplied by 25%.
- Employees who began working at Aims Community College after July 1, 1997 received a payment for their excess accrued sick hours based on their current hourly rate multiplied by 25%.

Starting July 1, 2006, any benefited employee with excess sick time above the maximum 640 hours allowed to be carried over to the next year will be allowed to convert 25% of their excess sick time into either additional vacation hours or pay (based on their hourly rate at the time).

NOTE 11—LONG-TERM LIABILITIES

The following presents changes in long-term liabilities for the year ended June 30, 2006:

	Balance uly 1, 2005	Additions	F	^p ayments	Ju	Balance ine 30, 2006	Dι	mounts ue Within one Year
Loans Payable Capital Leases Payable	\$ 4,415,479 35,883	\$ 5,062,500 -	\$	(4,759,981) (16,782)	\$	4,717,998 19,101	\$	431,079 17,020
Total	\$ 4,451,362	\$ 5,062,500	\$	(4,776,763)	\$	4,737,099	\$	448,099
Other Liabilities: Retirement Benefits Accrued Compensated Absences	\$ 2,699,004 1,875,800	\$ 445,506	\$	(847,825) (497,898)	\$	2,296,685 1,377,902	\$	745,132 250,000
Total Other Liabilities	\$ 4,574,804	\$ 445,506	\$	(1,345,723)	\$	3,674,587	\$	995,132

Amounts shown in "Balance, June 30, 2006" of long-term liabilities include both current and noncurrent portions. Additional information regarding loans payable obligations are included in Note 12, capital lease obligations are included in Note 13 and retirement benefits payable are included in Note 14.

NOTE 12—LOANS PAYABLE

On July 29, 2005, Aims Leasing Corporation signed a promissory note with Wells Fargo Brokerage, LLC for \$5,062,500. The note is dated July 29, 2005 and matures on August 1, 2015 with a fixed interest rate of 4.2%. The purpose of this note was to refinance two existing promissory notes: one for the corporate education center and simulator building, and the other for the flight simulator. Additional proceeds from the refinancing were used to purchase new equipment for the flight simulator and pay closing costs. The loan is collateralized by land, building improvements, and ground leasehold estate. The two promissory notes were previously held by Union Colony Bank and GE Capital. The refinancing was conducted by the Aims Leasing Corporation (the Corporation) for the benefit of the Continuing Education Authority (the Authority, see note 1). The Authority accounts for the promissory notes as a loan payable. Upon completion of the refinancing, the Authority renewed its leasing commitment for the education center, simulator building, and flight simulator. There are no financial loan covenants. However, terms of the note do prohibit the incurrence of any additional debit (as defined in the note) by the district. The activities of the Authority and the Corporation are blended with those of the District. Accordingly, under the provisions of GASB 14, the debt and assets of the blended component units are reported as a form of the District's debt and assets.

Annual debt service requirements to maturity for the loan payable are as follows:

Year Ending June 30	Principal	<u> </u>	nterest	Total
2007	\$ 431,079	\$	189,921	\$ 621,000
2008	449,537		171,463	621,000
2009	468,786		152,214	621,000
2010	488,858		132,142	621,000
2011	509,790		111,210	621,000
2012-2015	 2,369,948		217,550	2,587,498
Total Loans Payable	\$ 4,717,998	\$	974,500	\$ 5,692,498

NOTE 13—LEASES

The District also leases office equipment to support its operations. These leases are accounted for as capital leases and are reflected in the financial statements as such. The leased equipment is included in capital assets at \$63,567 with accumulated depreciation of \$49,646 as of June 30, 2006. The following table summarizes the future minimum lease payments for these leases as of June 30, 2006:

Year Ending June 30	Pi	rincipal	<u> </u>	terest	 Total
2007	\$	17,020	\$	1,862	\$ 18,882
2008		2,081		291	2,372
Total Capital Lease Obligation	\$	19,101	\$	2,153	\$ 21,254

NOTE 13—LEASES (cont'd)

The District leases space and equipment to conduct its operations. Rental payments for operating leases were \$459,313 for the year ended June 30, 2006. The future minimum rental payments for operating leases as of June 30, 2006, are as follows:

Year Ending June 30	 Amoun
2007	\$ 263,308
2008	156,279
2009	 7,516
	\$ 427,103

The District has operating leases for airplanes used in its flight training program. The planes are leased on a per hour basis. Rental payments for the year ended June 30, 2006, were \$61,156.

NOTE 14—RETIREMENT BENEFITS PAYABLE

The District has a Retention and Recognition Plan, which rewards full-time faculty and administrators hired before July 1, 1994, who leave the employment of the District with 15 or more years of service. Benefits equal the last year's base salary and are paid out over a five year period, for employees retiring at normal PERA retirement age, with reduced benefits for those retiring after a specified time period. Employees with 16 or more years of service also receive partial payment of unused sick leave. In 2005 The Board of Trustees offered an alternative option for eligible employees. Under the terms of the alternative option, eligible employees could elect to receive their retirement benefits over a three year period before retirement. Eligible employees had until October 3, 2005 to make this election. As of June 30, 2006, \$2,296,685 is due to individuals whose applications have been approved by the Board of Trustees. The liability as of June 30, 2006 includes all eligible individuals hired before July 1, 1994, whether or not they have 15 or more years of service as of that date. Future payments under the plan as of June 30, 2006, are as follows:

Year Ending June 30	Amount			
2007	\$	745,132		
2008		660,117		
2009		443,633		
2010		259,604		
2011		103,172		
2012 and beyond		85,027		
	\$	2,296,685		

NOTE 15—INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Invested in capital assets, net of related debt, is comprised of the following as of June 30, 2006:

Total capital assets, net of accumulated depreciation	\$ 24,244,726
less:	
Loans payable, current portion	(431,079)
Capital leases payable, current portion	(17,020)
Loans payable - noncurrent	(4,286,919)
Capital leases payable - noncurrent	 (2,081)
	\$ 19,507,627

NOTE 16—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2006, the following table represents operating expenses within both natural and functional classifications:

					NA	TURAL CLA	SSII	FICATION			
FUNCTIONAL CLASSIFICATIONS		Employee Personnel Services	(Operating	G	Cost of oods Sold	De	preciation	Student Aid	_	TOTAL PERATING EXPENSES
Instruction	\$	10,515,108	\$	4,019,951	\$	77,390	\$	-	\$ <u>.</u>	\$	14,612,44
Public Services	l	47,011		9,523		-		_	_		56,53
Academic Support		4,487,967		993,017		-		-	_		5,480,98
Student Services		2,482,339		823,855		_		-	-		3,306,19
Institutional Support	l	3,279,075		1,247,527		-		-	-		4,526,60
Operation of Plant		857,402		2,996,198		-		-	-		3,853,60
Student Aid	l	_		_		-		-	3,616,611		3,616,61
Auxiliaries	ı	701,461		202,633		1,500,153		-	-		2,404,24
Depreciation	L	-		-		=		2,186,353	-		2,186,35
TOTAL EXPENSES	\$	22,370,363	\$	10,292,704	\$	1,577,543	\$	2,186,353	\$ 3,616,611	\$	40,043,57

NOTE 17— SUBSEQUENT EVENTS

On August 30, 2006, Aims Junior College District (operating under the name of Aims Community College) entered into a Lease Purchase Agreement with Wells Fargo Bank to issue Certificates of Participation (COP), Series 2006, to finance the construction of a new health/science building. The aggregate principal amount of the financing was \$19,335,000. The Lease Purchase Agreement is payable solely through annual appropriations by the Board of Trustees for Base Rentals and any Purchase Option Price paid by the District under the lease. The lease is subject to annual termination by the District and will be terminated upon the occurrence of an Event of Non-appropriation by the Board or an Event of Default under the lease.

The Certificates bear per annum interest and mature serially beginning December 15, 2007 and continue annually through December 15, 2026. The series has stated interest rates ranging from 3.625% to 5.0%, with effective yields ranging from 3.60% to 4.54%. The series is rated AAA by Standard & Poor's.

The maturity schedule for the Certificates of Participation is presented below:

Maturity Schedule

Maturity <u>Date</u>	Principal Amount	Interest <u>Rate</u>	Price or <u>Yield</u>
2007	\$ 635,000	4.000%	3.600%
2008	660,000	3.625%	3.640%
2009	680,000	4.000%	3.670%
2010	710,000	4.000%	3.750%
2011	740,000	4.000%	3.800%
2012	775,000	5.000%	3.860%
2013	805,000	4.250%	3.940%
2014	840,000	4.250%	4.020%
2015	875,000	4.250%	4.070%
2016	915,000	4.250%	4.120%
2017	950,000	4.100%	4.200%
2018	990,000	4.125%	4.260%
2019	1,025,000	4.250%	4.310%
2020	1,075,000	5.000%	4.350%
2021	1,130,000	4.750%	4.390%
2022	1,180,000	5.000%	4.430%
2023	1,240,000	5.000%	4.460%
2024	1,305,000	5.000%	4.480%
2025	1,370,000	5.000%	4.500%
2026	 1,435,000	4.375%	4.540%
Total Proceeds	\$ 19,335,000		



SUPPLEMENTARY INFORMATION

AIMS JUNIOR COLLEGE DISTRICT ALL FUNDS ACTUAL TO BUDGET COMPARISON

			Favorable (Unfavorable)
Year Ended June 30, 2006	Actual	Budget	Variance
Revenues:			
Tuition and fees	\$10,022,278	\$9,302,824	\$719,454
Less: Tuition Discounts (Student Financial Aid)	(1,124,821)	\$0	(\$1,124,821)
Net Tuition and Fees	8,897,457	9,302,824	(\$405,367)
Gifts, grants and contracts	6,577,083	6,981,200	(\$404,117)
Auxiliary operating revenues	3,057,022	2,390,531	\$666,491
Other operating revenues	477,072	1,394,667	(\$917,595)
Total Operating Revenue	19,008,634	20,069,222	(\$1,060,588)
Operating Expenditures:			
Education and general	33,175,466	36,285,695	\$3,110,229
Other restricted programs	2,277,508	3,138,700	\$861,192
Loan cancellations and write-offs	0	0	\$0
Depreciation expense	2,186,353	0	(\$2,186,353)
Auxiliary enterprises expenses	2,404,247	2,400,856	(\$3,391)
Total Operating Expenditures	40,043,574	41,825,251	\$1,781,677
Nonoperating Revenue and Expenses:			
General property taxes	21,333,929	21,050,568	\$283,361
State appropriations	7,299,887	7,299,887	\$0
Contributions from the Foundation	219,284	- ,200,00.	\$219,284
Investment income	669,942	617,234	\$52,708
Interest expense	(204,739)	0	(\$204,739)
Loss on disposal of fixed assets	(157,681)	0	(\$157,681)
Other nonoperating revenues	` 54,530 [′]	0	\$54,530
Total Non-operating Revenue and Expense	29,215,152	28,967,689	\$247,463
Transfers In (Out):			
Non-mandatory transfers in	11,075,331	8,401,055	\$2,674,276
Non-mandatory transfers out	(11,075,331)	(10,944,134)	(\$131,197)
Total Transfers In (Out)	(11,010,001)	(2,543,079)	\$2,543,079
		, , , , , , , , , , , , , , , , , , , ,	
Net Increase in Net Assets	8,180,212	4,668,581	\$3,511,631
Net Assets, July 1, 2005	30,895,492	26,965,978	\$3,929,514
Net Assets, June 30, 2006	\$39,075,704	\$31,634,559	\$7,441,145

Aims Junior College District Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster		
Pell Grant Program	84.063	\$ 2,794,918
Supplemental Educational Opportunity Grants	84.007	82,885
College Work-Study Program	84.033	34,370
Federal Direct Student Loans	84.268	5,242,404
	01.200	8,154,577
English Language Acquisition - Career Ladder	84.195	279,195
Child Care Access Means Parents In School	84.335	26,000
Trio Student Support Services	84.042	146,290
Title V – Strengthening Hispanic Serving Institutions	84.031	247,317
Title III – Strengthening Institutions	84.031	449,016
		696,333
Passed through Colorado Community Colleges		,
Vocational Education – Basic Grants to States		
Postsecondary Non-Reserved Grant	84.048	
Equipment Grant		61,063
Projects and Activities		207,997
Tutors		13,809
Equity Activities		1,658
Reporting		4,260
Administration		14,798
Health Program		5,495
Alcanzar Med Prep		24,777
Target Recruitment		10,738
		344,595
Passed through Colorado Department of Education		·
Teacher Quality Enhancement – UNC	84.336	5,945
Passed through the University of Colorado		
English Language Acquisition – CO-TOP*ELA	84.195	3,539
Passed through University of Northern Colorado		
Disabilities	84.333	11,326
Total U.S. Department of Education		9,667,800

(Continued)

Aims Junior College District Schedule of Expenditures of Federal Awards (continued) Year Ended June 30, 2006

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u> Head Start Partnership	93.600	147,400
Passed through Colorado Department of Education Child Care and Development Block Grant	93.575	29,460
Passed through Weld County Department of Social Services Temporary Assistance for Needy Families	93.558	8,113
Passed through Weld County Department of Social Services – United Way Child Care and Development Block Grant	93.575	4,290
Passed through Colorado Department of Public Health and Environment Centers for Disease Control and Prevention Total U.S. Department of Health and Human Services	93.283	4,173 193,436
<u>U.S. Department of Labor</u> WIA Pilots, Demonstrations and Research Projects	17.261	17,519
Passed through Weld County Division of Human Services Employment Service Total U.S. Department of Labor	17.207	32,515 50,034
U.S. Department of Agriculture Passed through Colorado Department of Public Health and Environment Child and Adult Care Food Program	10.558	19,484
U.S. Department of Transportation Passed through Colorado Department of Transportation Building Highways/Building Careers	20.205	187,554
U.S. Small Business Administration Passed through Colorado Office of Business Development Small Business Development Center	59.037	36,294
Total Expenditures of Federal Awards		\$ <u>10,154,602</u>

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Aims Junior College District 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 States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2: Subrecipients

Of the federal expenditures presented in the accompanying schedule, there were no funds passed on to subrecipients.



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

Board of Trustees Aims Junior College District Greeley, Colorado

We have audited the financial statements of the business type activities and discretely presented component unit of Aims Junior College District (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 4, 2006, which contained a reference to the report of other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of Aims Community College Foundation, the discretely presented component unit of the District, were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Board of Trustees Aims Junior College District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

We noted certain matters that we reported to the District's management in a separate letter dated October 4, 2006.

This report is intended solely for the information and use of the governing body, 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.

BKD, LLP

October 4, 2006



Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Board of Trustees Aims Junior College District Greeley, Colorado

Compliance

We have audited the compliance of Aims Junior College District (the District) 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, 2006. The District's major federal programs are identified in the summary of auditor's 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 District's management. Our responsibility is to express an opinion on the compliance of Aims Junior College District 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; 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 District'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 District's compliance with those requirements.

In our opinion, Aims Junior College District 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-1 and 2006-2.



Board of Trustees Aims Junior College District

Internal Control Over Compliance

The management of Aims Junior College District 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 District'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 the internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs at item 2006-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the governing body, 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.

BKD, LLP

October 4, 2006

Aims Junior College District Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Summary of Auditor's Results

1.	. The opinion(s) expressed in the independent accountants' report was:				
	Unqualified	Qualified	Adverse	Disclaimed	
2.	The independent ac	countants' report or	n internal control o	ver financial reporting	described:
	Reportable condit weakness(es)?	tion(s) noted consid	ered material	☐ Yes	⊠ No
	Reportable condit material weaknes	tion(s) noted that ares?	e not considered to	be a Yes	⊠ No
3.	Noncompliance cor was disclosed by th		the financial stater	ments	⊠ No
4.	The independent ac applicable to major			ver compliance with re	equirements
	Reportable condition weakness(es)?	tion(s) noted consid	ered material	⊠ Yes	☐ No
	Reportable condi material weaknes	tion(s) noted that ares?	e not considered to	be a Yes	⊠ No
5.	The opinion(s) expanding applicable to major			report on compliance	with requirements
	Unqualified	Qualified	Adverse	Disclaimed	

Aims Junior College District Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

6.	The audit disclosed findings required to be reported by OMB Circular A-133?	Yes	☐ No
7.	The Organization's major programs were:		
	Cluster/Program		CFDA Number
	Student Financial Aid Cluster		
	Pell Grant Program		84.063
	Supplemental Educational Opportunity Grants		87.007
	College Work-Study Program		84.003
	Federal District Student Loans		84.268
	The threshold used to distinguish between Type A and Type B pro OMB Circular A-133 was \$304,638. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?	ograms as thos	e terms are defined in
	Findings Required to be Reported by Government Audi No matters are reportable.	ting Standar	ds

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Findings Required to be Reported by OMB Circular A-133

Reference Number	Reference Number Finding		Questioned Costs	
Finding 2006-1	CRITERIA OR SPECIFIC REQUIREMENT	\$	0	
CFDA 84.268, Student Financial Aid Program Cluster, US Department of Education	Special Tests and Provisions – Per 34 CFR 668.165, if an institution credits a student's account with a Direct Loan no earlier than 30 days before and no later than 30 days after crediting the account, the institution must notify the student or parent of the date and amount of the disbursement and the student/parent's right to cancel all or a portion of that loan or loan disbursement and have the proceeds returned to the holder of the loan.			
	CONDITION			
	The District did not properly notify students receiving a direct loan of their disbursement or right to cancel all or a portion of their loan within 30 days of crediting the student's account.			
	CONTEXT			
	3 of the 30 individuals tested were not notified of the disbursement or their right to cancel the loan within the proper time period.			
	EFFECT			
	Students may lose the opportunity to cancel their loans within the allotted time period.			
	CAUSE			
	For the noted exceptions, the District did not follow established procedures in place to produce the letters that provide the notification to the students. The District lacks cross-trained staff to produce the necessary reports during the absence of the individual responsible for that task.			

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-1 (continued)

RECOMMENDATION

We recommend the District implement procedures to ensure compliance with established procedures to assure the necessary reports are prepared correctly and timely. We also recommend the District cross-train the staff responsible for completing this task.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Agree

The District did not properly notify students receiving a direct loan of their disbursement or right to cancel all or a portion of their loan within 30 days of crediting the student's account.

CORRECTIVE ACTIONS

Effective Date October 25, 2006

The District takes the responsibility for proper reporting very seriously. The District does have established procedures for issuing letters notifying the parties of their rights to cancel the loan within the proper time period. However, due to a long-term family emergency by the employee responsible for producing those letters, the District did, for a short period of time, fall outside the required 30-day-notice period. To correct this situation, additional internal controls have been implemented to provide a high degree of assurance that the District will maintain compliance with the 30-day requirement. The following additional internal controls have been implemented:

1st The department in charge of producing the notification letters has cross-trained all employees within the department to perform the procedure to generate the notification letters. This will assure that the letters will be produced even if the primary employee responsible for this task is out. In addition, the procedure manual for this process has been updated to highlight the importance of this process being performed.

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-1 (continued)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS (CONTINUED)

- 2nd In the past, not every check run included payments to students for direct student loans, and therefore the process was not run every time financial aid payments were issued. This has the potential for causing a delay in the issuing of the notification letters. In response to this possibility, the District has instituted additional procedures to require that the process be performed each time a check run is requested for financial aid checks without exception.
- 3rd The department in charge of producing the financial aid checks (Accounts Payable Department) has been instructed to confirm with the Cashiers Office (the department who issues the notification letters) that the process has been performed each time financial aid checks are produced.
- 4th The District will conduct periodic internal reviews for compliance. This will help assure that the District corrects any future finding in a timelier manner.

For questions or additional information concerning this finding, please contact Michael Kelly (Controller) 970-686-2086 or via email at mike.kelly@aims.edu.

Aims Junior College District Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number	Finding	Questioned Costs	
Finding 2006-2	CRITERIA OR SPECIFIC REQUIREMENT	\$	0
CFDA 84.268, Student Financial Aid Program Cluster, U.S. Department of Education	Special Tests and Provisions – Per the ED Audit Guide, the institution must submit FDL Roster File Reports periodically. Information from the report is needed by the lender in order to determine student status for billing and other purposes. The institution must report a change in a student's enrollment status directly to ED, the lender or the guarantee agency within 30 days if a student has ceased to be enrolled at least half time, withdrew or has graduated from the institution if the institution does not expect to complete its next Roster File Report within the next 60 days.		
	CONDITION		
	The District did not correctly report withdrawal status to the National Student Loan Data System (NSLDS) and failed to report a student's graduation status to the NSLDS.		
•	CONTEXT		
	Effective December 15, 2005, the District modified its procedures for reporting graduates and withdrawals to the NSLDS. Of our sample of 30 items tested, 13 were for student status changes prior to December 15, 2005, and 17 were for student status changes subsequent to December 15, 2005.		
	For the 13 student status changes prior to December 15, 2005, we noted 8 students who withdrew during the semester, had their student status updated incorrectly at the end of the semester and were not properly reported until the next semester, which was beyond the 60-day reporting requirement. Additionally, the status change for 3 students who graduated was not reported to the NSLDS.		
	For the 17 student status changes subsequent to December 15, 2005, the graduation status for 1 out of 9 students tested who graduated after December 15, 2005, was not submitted to the NSLDS. Additionally, 7 out of 8 students tested who withdrew after December 15, 2005, did not show the correct enrollment status at the NSLDS.		

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-2 (continued)

EFFECT

The lender may have misinformation when they determine a student's status for billing and another institution may have inaccurate information in determining prior loan information and future eligibility.

CAUSE

For a portion of the year, the District did not have a proper understanding of the reporting requirements nor the capabilities of their system for reporting the proper information to The National Clearinghouse, which then reports the information to the NSLDS. The District also did not have a cut-off date for submission of graduation information to the registrar's office, nor did the District have procedures in place to resubmit information for any individuals whose graduation information was not submitted timely. Modifications to procedures were made for reporting graduation status during the year and the District is working to correct procedures for reporting withdrawals.

RECOMMENDATION

The District should assure that its procedures are sufficient to properly report graduation and withdrawal information to the NSLDS.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Agree

The District did not correctly report withdrawal status to the National Clearinghouse and failed to report a student's graduation status to the National Clearinghouse.

The District did not correctly report withdrawal status to the National Clearinghouse.

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-2 (continued)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS (CONTINUED)

CORRECTIVE ACTIONS

Effective Date October 25, 2006

The District's understanding at the time of the finding was that a student who officially withdrew from school and was receiving financial aid could be reported to the National Clearinghouse at "Less-than-half-time" status as proper notification to interested parties that the student should now be starting a probationary period for their student loan. In fact the District's integrated software system (Banner System) for reporting the information to the Clearinghouse only contains three options (full-time, half-time, and less-than-half-time). It was our understanding that reporting a student at "less-than-half-time" generates the same notification and procedural response as a withdrawal notification and thus has no impact to the student or the lender. The District has implemented the following corrective measures:

The District created a fourth status of "Total Withdrawal" in the Banner software system to go along with the previous three and tested the report but got an error that there was "No NSLC Equivalent." The District then consulted SunGard Higher Education (makers of the Banner System) Customer Support to find a solution. The District learned that the NSLC report provided with Banner did not have an automated method to report total withdrawn status. The District also learned that SunGard does have plans to create a new feature that would provide an automated reporting solution (Request for Product Enhancement # CMS-RPE47029).

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-2 (continued)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS (CONTINUED)

In the absence of SunGard's proposed future solution, however, the solution provided by SunGard was to manually update the withdrawn student's enrollment status with a flag of "Affect Headcount = No" before running the Clearinghouse report. A test of this method revealed that it would not be sufficient, and the District then consulted an email list service for help. I then found out from another school that for this method to work the school would have to either manually or by writing its own computer program set this flag, run the Clearinghouse report, and then reset the flag back to its original status.

The District then implemented its own solution as an immediate temporary fix to the situation in order to comply with the regulations. The District immediately and successfully put it into use with each of the first two monthly reports for fall 2006 to the National Clearinghouse. A summary of the solution is as follows:

Since Banner does not have an automatic way to input the total withdrawal code into the National Student Clearinghouse (NSC) report, when the report is run it does not record any status code for students who have completely withdrawn. We have identified that any student who has the string of "ENR | |" on the report data file is a student who is missing a status code because he or she has totally withdrawn. We then open our data file and perform a "find-and-replace" of all "ENR | |" strings with the new string of "ENR| EB3|" (where "EB3" is the NSC code for "total withdrawal"). This process does not provide for a status start date, but NSC indicated they would use the transmission date as the status start date. As we now report to NSC every 30 days during the term, the date indicated will always be within the required 30 days of status change. To ensure accuracy, however, we will now start submitting the report every 2 weeks until either our Information Technology department, or an outside consultant, or SunGard Higher Ed can create an automated solution.

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-2 (continued)

<u>VIEWS OF RESPONSIBLE OFFICIALS AND</u> PLANNED CORRECTIVE ACTIONS (CONTINUED)

In addition, the District has detailed documentation on how to process this report, and has cross-trained 3 employees in the Admissions and Records office that can run the report in the Records Supervisor's absence.

The District failed to report a student's graduation status to the National Clearinghouse.

CORRECTIVE ACTIONS

Effective Date October 25, 2006

The District did have procedures in place to report graduation status to the National Clearinghouse. However, the finding was for 1 student who submitted graduation paperwork after the regular notification to the National Clearinghouse was transmitted. Due to human error, the student was then not reported as graduated.

To correct these findings, the District has instituted the following measures:

 The District has instituted a deadline of the first business day two weeks after the date of graduation for students to submit missing degree or certification requirements. This will permit the majority of the final graduation verification to be completed within three weeks after the date of graduation and be transmitted to the National Student Clearinghouse.

Schedule of Findings and Questioned Costs (continued) Year Ended June 30, 2006

Reference Number

Finding

Questioned Costs

Finding 2006-2 (continued)

<u>VIEWS OF RESPONSIBLE OFFICIALS AND</u> PLANNED CORRECTIVE ACTIONS (CONTINUED)

- In addition, the District will file a second transmittal to the National Student Clearinghouse at the point marking four weeks after graduation. While there would ordinarily be no additional students graduated between these third and fourth weeks, in the event it is necessary to graduate additional student(s) for the current term, this second transmittal within the 30-day reporting requirement will ensure that any additional late graduates do, in fact, get reported to the NSC. Students submitting paperwork to complete requirements after the fourth week will not be permitted to graduate until the following term.
- Finally, the District has cross-trained 2 employees to run the Clearinghouse graduates report in the event of the graduation coordinator's absence.

For questions or additional information concerning this finding, please contact Michael Kelly (Controller) 970-339-6509 or via email at mike.kelly@aims.edu or Stuart Thomas (Registrar) 970-339-6232 or via email at stuart.thomas@aims.edu.

Aims Junior College District Summary Schedule of Prior Audit Findings Year Ended June 30, 2006

Reference Numb	er Summary of Finding	Status
Finding 2005-1	The District was not correctly submitting graduation and withdrawal information to the National Clearinghouse and NSLDS. 10 of the 20 individuals tested did not show the correct enrollment status (<i>i.e.</i> , graduated or withdrawal) at the NSLDS.	Partially resolved. See current year finding 2006-2.