



FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORT

YEAR ENDED JUNE 30, 2010

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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 Aims Continuing Education Authority, Aims Leasing Corporation, and the Aims College Campus Planned Community Association, 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 generally accepted accounting principles 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.

A handwritten signature in black ink, appearing to read "Michael Kelly".

Michael Kelly
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, 2010, which collectively comprise Aims Junior College District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Aims Junior College 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 Aims Junior College District as of and for the year ended June 30, 2010. 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.

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 unit of Aims Junior College 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 the other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Aims Junior College District as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Aims Junior College District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, on our consideration of Aims Junior College 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.

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 basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, 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

November 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Aims Junior College District's (the District) financial report includes financial statements and 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, 2010. The analysis is based on currently known facts and is prepared by the office of the Chief Administrative 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, 2010:

- Net assets increased by 25.2% in 2010. This was more than the 12.9% increase in 2009, primarily due to a significant increase in property tax revenue for oil and gas. Property tax revenue for oil and gas is received in arrears. The unusual spike in the price for oil and gas prior to the economic downturn added approximately \$7 million dollars in property tax revenue in 2010. This significant event is expected to have the reverse effect in 2011 with the severe drop in oil and gas as the economy moved into the current economic downturn. In addition, approximately \$2 million dollars of the increase can be attributed to the increased enrollment and federal grants and contracts, along with cost savings measures implemented with operating expenses. In 2010, the District recognized higher tuition and fee revenue due to increased enrollment and tuition rates; and increased awards for Federal, State, and local grants, primarily due to the receipt of Federal dollars from the American Recovery and Reinvestment Act (ARRA) allocated by the State of \$4.920 million dollars. More detailed information will follow later in this discussion.
- Unrestricted net assets increased 28.3%, primarily due to higher property tax revenue, as mentioned above.

State appropriations received in fiscal year 2010 were \$4,572,570 which was \$2,688,511 lower than the 2009 State appropriations received of \$7,261,081. In late June of 2010, the State re-appropriated \$2,293,534 from the District in order to help balance the projected State budget shortfall. At the same time, the State backfilled the reduction with \$1,967,638 from stimulus funds it received from ARRA through the Federal State Fiscal Stabilization Fund. The current economic outlook places a question on whether future State appropriations will be further reduced due to budgetary constraints in the State brought about by the current economic downturn.

- Operating revenues increased 19.6%, primarily due to higher tuition revenue and Federal, State, and local grant revenue. Student FTE increased by 11.1% over

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

Financial and Enrollment Highlights (cont'd)

2009, overall headcount increased by 2.4%, which contributed to the increased tuition revenue collected. It would appear that students are enrolling in a greater number of courses compared to students in 2009, based on the percentage change between FTE and headcount.

- Total operating expenses for 2010 increased 10.1% from 2009. This can be attributed to the 11.1% increase in student FTE. Approximately \$1.1 million dollars of the increase can be attributed to the helicopter aviation program surrounding the new VA Chapter 33 bill. In August 2009, the VA Chapter 33 Post 9/11 educational benefit went into effect. As a result of this educational benefit, we found it necessary to start charging students in the helicopter flight courses the flight fees at the time of registration. For the VA Chapter 33 benefits to cover the flight costs, this was required because this portion of the training is provided by a third-party (Front Range Helicopters). Employee and personnel services costs decreased .8%, and student aid increased 46.8%. The District also had increased costs associated with operation of plant (16.3%) to furnish the remodeled College Center, and higher energy cost incurred during the construction of the Windsor Automotive Center to keep the interior of the building heated for proper curing of materials inside the building. These increases were partially offset by reduced expenses for academic support (down 10.4%), and student services (down 6.5%). Depreciation rose modestly in 2010 (3.4%), due to the inclusion of the Windsor Automotive Center being opened December 2009.
- Net nonoperating revenues increased by \$10.8 million (28.0%) in 2010 mostly due to an unusual increase in property tax revenue (\$6.94 million) for oil and gas. In addition, although the State Appropriations decreased by \$2.69 million, the decline was backfilled by the State with additional ARRA dollars of \$4.92 million. This was an increase of \$3.03 million over 2009 allocation of \$1.89 million by the State. It should be noted that a portion of the additional ARRA dollars received in 2010 reduces the remaining ARRA funds identified for allocation in 2011, and therefore will not be available for the State to utilize to fund Higher Education in 2011 if the current State budget crisis continues.
- Nonoperating expenses remained relatively flat. The largest expense is for interest expense associated with the financing of the Allied Health & Science building (see Note 17).

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd) (Unaudited)

Financial and Enrollment Highlights (cont'd)

The tables below summarize student enrollment data over the past five years. The District's solutions to reverse the downward trend in enrollment appear to be working according to the table.

Student Headcount Enrollment

Fiscal Year	Unduplicated Headcount	Percent Change
2010	8,043	2.4%
2009	7,852	9.2%
2008	7,191	-2.9%
2007	7,408	-0.3%
2006	7,430	-3.6%

Student FTE Enrollment

Fiscal Year	Resident FTE				Nonresident FTE		Combined FTE	
	In-District	Out-of-District	TOTAL	Percent of Change	Out-of-State	Percent of Change	TOTAL	Percent of Change
2010	2,749	738	3,487	11.73%	113	-5.04%	3,600	11.11%
2009	2,506	615	3,121	3.52%	119	16.67%	3,240	3.95%
2008	2,372	643	3,015	1.72%	102	-1.92%	3,117	1.60%
2007	2,321	643	2,964	4.04%	104	-7.96%	3,068	3.58%
2006	2,266	583	2,849	-3.98%	113	0.0%	2,962	-3.83%

The increased FTE enrollment is an indication that the District is taking the right steps toward increasing overall student enrollment, and the natural cyclical affect of the economy on enrollments in community colleges during economic downturns. These improving conditions will help to enhance the financial health of the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

Statement of Net Assets (cont'd)

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, 2010, net assets increased 25.2%.

Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009
Assets		
Current Assets	\$ 41,313,392	\$ 33,418,257
Noncurrent Assets - Noncapital	6,274,327	6,184,291
Capital, Net of Accumulated Depreciation	65,905,900	57,768,759
Total Assets	113,493,619	97,371,307
Liabilities		
Current Liabilities	8,649,833	8,122,278
Noncurrent Liabilities - Loans Payable	2,369,948	2,879,738
Noncurrent Liabilities - Certificates of Participation	16,916,979	17,654,712
Other Noncurrent Liabilities	1,218,371	1,342,384
Total Liabilities	29,155,131	29,999,112
Net Assets		
Invested in Capital Assets		
Net of Related Debt	47,667,128	38,704,760
Restricted--Expendable	1,470,778	1,230,452
Unrestricted	35,200,582	27,436,983
Total Net Assets	\$ 84,338,488	\$ 67,372,195

Current Assets

Cash and cash equivalents of \$33,610,091 comprise 29.6% 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 as of June 30, 2010 due next fiscal year, the District has about five dollars (\$5) as of June 30, 2010 of assets available to pay them. 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 14.1% is primarily attributable to the construction of the Windsor Automotive Center, the remodel of the College Center and capitalized equipment purchases. In addition, there is the offset for disposal of plant assets and the effect of the increase in accumulated depreciation as a result of

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

Statement of Net Assets (cont'd)

capital acquisitions and current year depreciation. Note 5 of this report summarizes the changes in capital assets between fiscal year 2010 and 2009.

Liabilities

Obligations of the District decreased 2.8% over last year's amount. The decrease is mostly attributable to the reduction in long-term debt and obligations. Total debt associated with the loan payable and certificates of participation decreased by 5.5% for 2010. The retirement benefits obligation decreased 58.3% from the amount in 2009. This change is in direct relation to the District's implementation of a buyout plan for retirement benefits and accrued compensated absences completed in 2007. More information about the District's long-term debt is presented in Notes 10-14 and 17 of the financial statements. The only major increase in liabilities was deferred revenue which increased 57.3% relating to the increased summer enrollment. Tuition and fees for summer enrollment is allocated between school years based on the number of days falling within each school year. Tuition and fees attributable to those days falling after June 30, 2010 are recorded as deferred revenue.

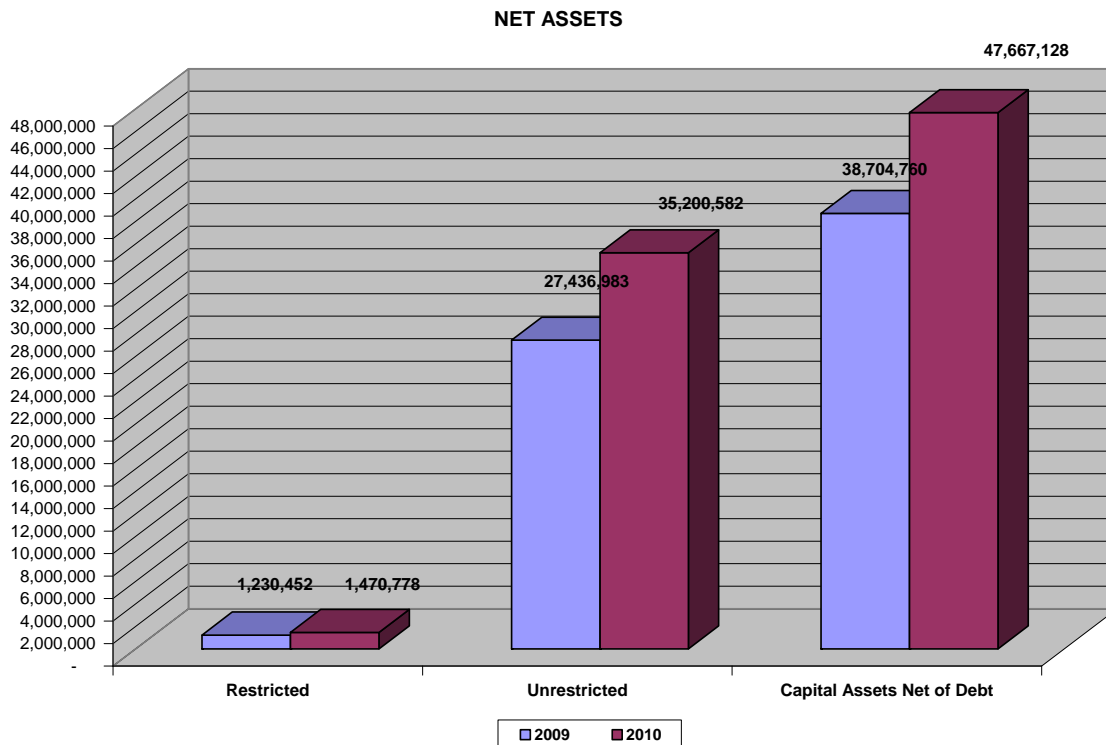
Net Assets

Net assets increased 25.2% in fiscal year 2009-10 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 56.5% of the District's net assets.

It is important to recognize that the Unrestricted Net Assets of \$35.2 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 \$17.7 million designated for capital construction and general campus capital equipment, as well as a \$8.2 million Reserve Fund created to offset any future shortfalls in funding by the State and/or property tax revenues, based on the current economic outlook for both major sources of funding as directed by the Board of Trustees. Remaining Unrestricted Net Assets include departmental operating funds and the net assets of the Continuing Education Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd) (Unaudited)

Net Assets (cont'd)



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

The Statement of Revenues, Expenses, and Changes in Net Assets presents 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 revenues. This statement is also prepared using the accrual basis of accounting.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

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

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	For the year ended June 30, 2010	For the year ended June 30, 2009 **
Operating Revenues		
Net Tuition & Fees	\$ 12,601,533	\$ 9,509,479
Grants & Contracts	3,439,203	3,368,301
Auxiliary	2,902,472	2,929,144
Other	597,191	528,274
Total Operating Revenues	19,540,399	16,335,198
Operating Expenses		
Educational & General	45,028,604	40,373,260
Auxiliary	2,998,356	3,016,979
Depreciation and Amortization	3,726,535	3,603,959
Total Operating Expenses	51,753,495	46,994,198
Operating Loss	(32,213,096)	(30,659,000)
Nonoperating Revenues (Expenses) and Gains (Losses)		
General Property Taxes	33,067,669	26,125,238
State Appropriations	4,572,570	7,261,081
Federal State Fiscal Stabilization Funds	4,920,360	1,894,692
Federal Nonoperating Revenue	7,200,897	3,959,206
Contributions from the Foundation	85,558	46,317
Investment Income (Loss)	158,666	(13,397)
Interest on Capital Asset Related Debt	(835,599)	(915,133)
Loss on Disposal of Assets	(57,532)	(610)
Total Nonoperating Revenues	49,112,589	38,357,394
Income Before Other Revenues, Expenses, Gains or Losses	16,899,493	7,698,394
Capital Grants and Gifts	66,800	10,000
Increase in Net Assets	16,966,293	7,708,394
Net Assets - Beginning of Year	67,372,195	59,663,801
Net Assets - End of Year	\$ 84,338,488	\$ 67,372,195

** Certain reclassifications have been made to June 30, 2009 amounts to reflect the reclassification of Pell grant revenue to nonoperating.

For the year ended June 30, 2010, the District had a net operating ratio of negative 1.65. This ratio measures the operating income or loss in relation to the total operating revenues. A negative 1.65 operating ratio means that operating expenses were 165% 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd) (Unaudited)

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

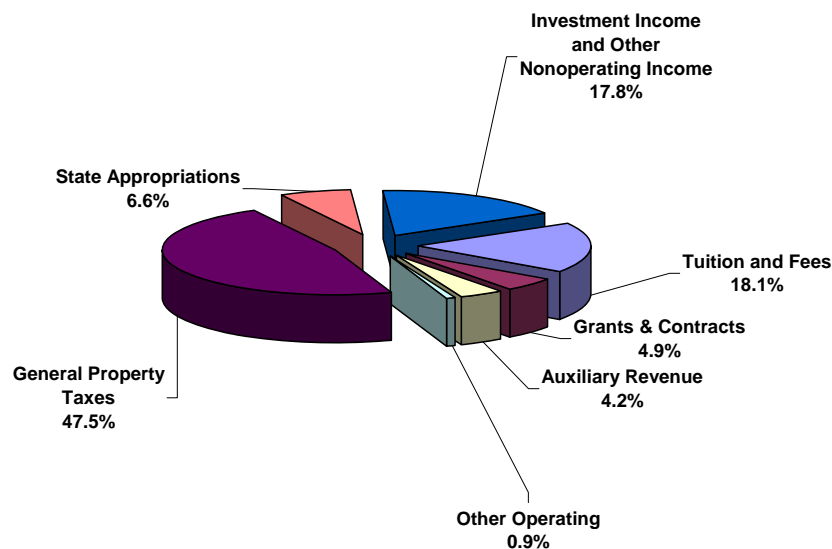
In comparison to the prior year's operating ratio of negative 1.88, the ratio for 2010 decreased by 14.0% to 1.65. For fiscal year 2009 to 2010, operating expenses and operating revenues increased in the same period. Operating revenues increased 19.6%, while operating expenses increased 10.1%.

The primary factors contributing to the increased operating revenues were:

- The District had an increase in Federal, State, and local grants and contracts of 45.2%. Most of the increase can be explained by an increase in federal grant revenue, specifically student financial aid funds received from the Department of Education.
- Tuition and fee revenue increased 32.5% in relation to the large increase in student FTE.

Other significant changes on the SRECNA include the significant increase in property tax revenue of \$6.9 million. State of Colorado appropriations decreased to \$4.6 million for 2010 compared to the 2009 appropriations of \$7.3 million. At this time, there is an unknown future of State appropriations due to the uncertain future economic outlook for the State of Colorado.

TOTAL REVENUES SOURCES



MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

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

Net revenue from all sources net of scholarship allowances totals \$69.5 million, with \$19.5 million generated from Operating Revenues and \$50.0 million in nonoperating revenues.

General property taxes represent the single largest source (47.5%) of total revenues to the District, which is up slightly in comparison to 2009 (47.0%). However, as mentioned previously, in dollar terms, property tax is up significantly. In fiscal year 2010, Grants & Contracts (including nonoperating revenues) became the second largest source, up to 22.4% of total revenue compared to 13.2% for 2009. This is primarily due to the increased allocation of ARRA dollars from the State to backfill reduced State appropriations. Tuition and fee revenue net of the scholarship allowance moved to the third largest source at 18.1% compared to 17.1% in 2009. Although tuition and fee revenue increased substantially in 2010, the rise in property tax and Grants & Contracts revenue increased at a much larger dollar percentage. State Appropriations decreased for 2010 to approximately 6.6% of total revenue compared to 13% for 2009. The State allocated more ARRA dollars to fund Higher Education in 2010. For 2011, the State will have limited ARRA dollars to help supplant State Appropriations to fund Higher Education.

Reporting standards require tuition and fees to be shown net of scholarship allowances, which were \$2,038,098 for 2010. 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 (see Note 1).

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

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

Functional Classifications

Operating Expenses by Function

	Year Ended	
	June 30, 2010	June 30, 2009
Instruction	\$ 18,663,257	\$ 16,929,652
Public Service	12,500	15,039
Academic Support	4,185,276	4,669,644
Student Services	2,912,821	3,115,328
Institutional Support	5,402,008	5,159,180
Operation of Plant	5,867,297	5,046,176
Student Aid	7,985,445	5,438,241
Auxiliary Operating	2,998,356	3,016,979
Depreciation and Amortization	3,726,535	3,603,959
Total Operating Expenses	\$ 51,753,495	\$ 46,994,198

Management's Analysis of Functional Classifications

Instruction expenses increased in 2010 by 10.2% mostly attributable to the expenses associated with the aviation helicopter program, the hiring of faculty to handle the increase in enrollment, and purchases of noncapitalized equipment. In August 2009, the VA Chapter 33 Post 9/11 educational benefit went into effect. As a result of this educational benefit, we found it necessary to start charging students in the helicopter flight courses the flight fees at the time of registration. For the VA Chapter 33 benefits to cover the flight costs, this was required because this portion of the training is provided by a third-party (Front Range Helicopters).

Academic Support decreased 10.4% for 2010, mostly attributable to reduced employee payroll expense. The District implemented a soft hiring freeze to control costs.

Student Services expenses decreased 6.5% mostly attributable to employee payroll expense.

Institutional Support expenses increased \$0.24 million. The increase is mostly due to a reduction in the allocation of expenses for information technology services to other programs.

Student Aid net of scholarship allowances increased 46.8% as a result of increased financial aid (Federal loan programs), grant paid expenses, and stable 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)
(Unaudited)

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

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

Natural Classifications

Operating Expenses by Natural Classification

	Year Ended	
	June 30, 2010	June 30, 2009
Employee & Personnel Services	\$ 24,754,789	\$ 24,958,113
Operating	13,337,203	11,107,796
Costs of Goods Sold	1,953,054	1,886,089
Depreciation and Amortization	3,726,535	3,603,959
Student Aid	7,981,914	5,438,241
Total Operating Expenses	<u>\$ 51,753,495</u>	<u>\$ 46,994,198</u>

Management's Analysis of Natural Classifications

Employee and personnel services costs decreased \$0.2 million or .8%. As a cost savings strategy, the District implemented a soft hiring freeze and no pay increases for 2010.

Operating costs increased \$2.2 million as a result of expenses associated with the helicopter aviation program (approximately \$1.1 million), contracted services (\$.33 million), and noncapitalized furniture and equipment purchases primarily used in furnishing the remodeled College Center.

Cost of goods sold increased modestly due to the increased purchases for text books due to increased enrollment. In order to help students with the high cost of text books, the Bookstore has been working to sell more used text books when possible.

The increase in depreciation and amortization reflects the partial year depreciation of the Windsor Automotive Center, completed December 2009.

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, grant and contract revenues, and auxiliary revenue. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

Statement of Cash Flows (cont'd)

Significant changes in this statement are noted below:

- Net cash used by operating activities increased over 2009 by \$3.4 million primarily due to the combined effect of an increase in grants and contracts receipts of 3.1%, and tuition and fees increase (30.7%) being offset by increases in payments to suppliers (33.5%), and scholarships disbursed (46.8%). Payments to and for employees remained relatively flat due to the District's soft freeze on hiring and no pay increases in 2010. Tuition and fee increase is due to the tuition increase implemented in fall of 2009. Payments to suppliers corresponds to the expense charged to the District for flight time relating to the helicopter program (which is offset by fee revenue received from students for those costs), and the inclusion of outstanding checks at year-end being recorded as payables in 2010 and not in 2009. The increased amount for Scholarships disbursed is related to the increase in student enrollment (FTE) and funds received for Grants and contracts being distributed to students.
- Cash flows provided by noncapital financing activities increased over 2009 by \$11.0 million due to the increase in General property tax revenue relating to oil and gas, and an increase in stabilization funds received from the State (ARRA funds) offsetting the reduction in State appropriations received, as mentioned earlier.
- Cash used by capital and related financing activities increased 59.2%. This is associated with the direct payments by the District for the new construction of the completed Windsor Auto Center (December 2009) and the remodeling costs of the College Student Center in 2010. The College Student Center remodeling is scheduled to be completed in July 2010.
- Negative net cash flows provided by investing activities for 2010 was due to the decreased earnings on invested assets due to lower interest rates reflective of the Federal Reserve decision to lower long-term and short-term rates. Investment revenue related to funds associated with the issuance of the certificates of participation account was \$372 in 2010 compared to \$8,856 for 2009.

Overall, the District's cash position increased \$7.4 million, which includes restricted money market funds of \$2.6 million.

Economic Outlook

Factors affecting the future of the District include increasing student enrollment and the decreasing 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, including underprepared students, and attracting and retaining qualified

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

Economic Outlook (cont'd)

faculty and staff.

Student FTE enrollment increased by 11.1% from the prior year 2009 to the current year 2010. The District has developed several programs to help ensure student success and retention. The District will continue its diligent efforts to increase student FTE enrollment. One large step the District has taken to help insure its future growth is the two conjoined purchases of land along the I-25 corridor in Berthoud, Colorado of 30.06 acres and 10.01 acres. The foresight of this land purchase is to construct an additional southwest campus to service an anticipated increased population of District students in southern Weld County, as well as nondistrict students in the surrounding counties near the site. Although the future Berthoud campus remains a top priority of the District, due to the economic uncertainties facing the State, and the likelihood of lower property tax after 2010; the District is evaluating the timing of the development of the campus in order to be fiscally responsible.

State appropriations declined in fiscal 2010. Budgetary shortfalls continued to plague the State in 2010, which forced the State to require a re-appropriation of funds from Higher Education in order to attempt to balance the State budget. This reduction of funding was partially backfilled with Federal dollars from ARRA received by the State for Higher Education. It is expected that the State will continue to use ARRA dollars to offset a portion of Higher Education funding in order to fill budget gaps due to reduced tax revenues. The State's economic situation is a major concern to the District and Higher Education as a whole. For fiscal year 2011 the District is anticipating that State appropriation will decline substantially. ARRA funding for Higher Education is expected to end after fiscal year 2011, and unless the State's economic picture improves or the State legislates some type of dedicated funding mechanism for Higher Education, the outlook for improved State funding looks bleak. The State has created a committee to examine funding issues and devise a possible recommendation for a solution, which was due to the Governor on November 1, 2010. However, due to the political environment, and the Constitutional constraints in the State surrounding the implementation of new taxes, any solution will be met with formidable obstacles.

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 has begun to flatten, with an anticipated bias to the downside (with the exception of 2010) over the next few years until the economy improves. For fiscal year 2010 property tax revenue again was derived primarily from oil and gas in Weld County. The rising allocation that oil and gas plays within our property tax revenue stream requires a prudent balancing between operating and capital funding by the District, in order to control the unstable funding swings oil and gas can demonstrate. The District received a one-time substantial increase in property tax revenue in fiscal year 2010 related to expanded oil and gas extractions in 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

(Unaudited)

Economic Outlook (cont'd)

However, this anomaly is expected to reverse course in 2011, based on extractions from the early part of 2010, with oil and gas revenues falling below levels seen prior to this one-time benefit. Although at the close of fiscal year 2010 oil and gas appears to be stabilizing back to a more normal price range, it still remains a volatile source of revenue for the District in relation to the current economic environment.

Given the positive improvement in 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.
- Continue to implement strategies to improve student retention.
- Implement initiatives to offset potential future slowing property tax revenues and the continued risk of lower 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 Administrative 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, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$ 33,610,091
Short-term investments and certificates of deposit	991,262
Accrued interest receivable	1,155
Student accounts receivable, net of allowance of \$352,289	912,749
Accounts receivable, net of allowance of \$6,859	836,455
Property tax receivable	4,035,715
Inventories	386,683
Other current assets	539,282
Total Current Assets	41,313,392

Noncurrent Assets:

Land held for development	1,451,565
Money market funds-restricted for construction	2,557,338
Long-term investments	1,818,668
Deferred capital lease issuance costs, net	446,756
	6,274,327

Nondepreciable Capital Assets (Net):

Land	8,735,272
Land improvements	1,931,538
Art/historical figures	42,132
Construction in progress	5,892,433

Depreciable Capital Assets:

Land improvements	1,836,502
Buildings and improvements	41,640,984
Leasehold improvements	319,160
Equipment and furniture	5,507,879

Total Capital Assets (Net) 65,905,900

Total Noncurrent Assets 72,180,227

TOTAL ASSETS 113,493,619

LIABILITIES

Current Liabilities:

Accounts payable	2,909,294
Accrued liabilities	1,042,325
Deferred revenue	1,171,295
Loans payable, current portion	509,790
Capital leases payable-certificates of participation, current portion	710,000
Retirement benefits payable, current portion	139,402
Compensated absence liabilities, current portion	287,845
Deposits held in custody for others	1,879,882
Total Current Liabilities	8,649,833

Noncurrent Liabilities:

Loans payable	2,369,948
Capital leases payable-certificates of participation, net	16,916,979
Retirement benefits payable	66,992
Compensated absence liabilities	1,151,379
Total Noncurrent Liabilities	20,505,298

TOTAL LIABILITIES 29,155,131

NET ASSETS

Invested in capital assets, net of related debt 47,667,128

Restricted for:

Expendable purposes:

TABOR reserves	1,459,786
Nongovernmental grants and contracts	10,992

Unrestricted 35,200,582

TOTAL NET ASSETS \$ 84,338,488

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

Cash and cash equivalents	\$ 2,022,185
Investments	3,329,774
Contributions receivable, net	330,932
Other receivables	100,000
Interest receivable	<u>2,212</u>

TOTAL ASSETS	<u><u>\$ 5,785,103</u></u>
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LIABILITIES

Split-interest payable	<u>\$ 3,276</u>
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TOTAL LIABILITIES	<u>3,276</u>
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NET ASSETS

Unrestricted	86,689
Temporarily restricted	3,244,229
Permanently restricted	<u>2,450,909</u>

TOTAL NET ASSETS	<u>5,781,827</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,785,103</u></u>
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See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

REVENUES

Operating Revenues:

Student tuition and fees, net of scholarship allowances of \$2,038,098	\$ 12,601,533
Federal grants and contracts	1,004,741
State and local grants and contracts	2,434,462
Auxiliary operating revenue	2,902,472
Other operating revenue	597,191
Total Operating Revenues	19,540,399

EXPENSES

Operating Expenses:

Educational and general	
Instruction	18,663,257
Public service	12,500
Academic support	4,185,276
Student services	2,912,821
Institutional support	5,402,008
Operation of plant	5,867,297
Student aid	7,985,445
Depreciation and amortization	3,726,535
Auxiliary operating	2,998,356
Total Operating Expenses	51,753,495
Operating Loss	(32,213,096)

NONOPERATING REVENUES (EXPENSES)

General property taxes	33,067,669
State appropriations	4,572,570
Federal State Fiscal Stabilization Fund	4,920,360
Federal nonoperating revenue	7,200,897
Contributions from the Foundation and private donor (excluding \$54,685 included in State and local grants and contracts above and \$66,800 included in capital gifts and grants below)	85,558
Investment gain	158,666
Interest on capital asset related debt	(835,599)
Loss on disposal of assets	(57,532)
Net Nonoperating Revenues	49,112,589
Income Before Other Revenues, Expenses, Gains or Losses	16,899,493
Capital grants and gifts	66,800
Increase in Net Assets	16,966,293
Net Assets, Beginning of Year	67,372,195
Net Assets, End of Year	\$ 84,338,488

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Gains:				
Contributions and grants	\$ 121,939	\$ 503,836	\$ 500	\$ 626,275
Investment earnings	80,442	256,250	-	336,692
Net assets released from restrictions:				
Satisfaction of program restrictions	332,402	(332,402)	-	-
Total revenues and support	534,783	427,684	500	962,967
Expenses:				
Program services:				
Scholarships:				
Student	200,027	-	-	200,027
Contributions to College:				
Aims Flight Club	3,515	-	-	3,515
Automotive	24,997	-	-	24,997
Childcare center	30,040	-	-	30,040
College Assistance Migrant Program	5,000	-	-	5,000
Concurrent enrollment	3,797	-	-	3,797
Emerging scholars program	1,605	-	-	1,605
GED program	5,545	-	-	5,545
International program	475	-	-	475
Medical programs	1,070	-	-	1,070
Sculptures and signage	6,949	-	-	6,949
Student support services	4,010	-	-	4,010
Other	3,196	-	-	3,196
Total Program Services	290,226	-	-	290,226
Support Services:				
Fundraising	73,559	-	-	73,559
General and administrative	112,950	-	-	112,950
Total Support Services	186,509	-	-	186,509
Total Expenses	476,735	-	-	476,735
Board and donor transfers	104,176	(124,151)	19,975	-
Change in net assets before other changes	162,224	303,533	20,475	486,232
Other changes - loss on investments	45,338	(45,338)	-	-
Change in net assets	207,562	258,195	20,475	486,232
Net assets (deficit)--beginning of year	(120,873)	2,986,034	2,430,434	5,295,595
Net assets (deficit)--end of year	\$ 86,689	\$ 3,244,229	\$ 2,450,909	\$ 5,781,827

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received:	
Tuition and fees	\$ 12,470,584
Sales of services	566,466
Sales of products	2,360,777
Grants and contracts	3,367,667
Other receipts	597,191
Cash Payments:	
Payments to and for employees	(24,944,968)
Payments to suppliers	(15,537,434)
Scholarships disbursed	(7,981,914)
Net cash used in operating activities	<u>(29,101,631)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from the Foundation	85,558
State appropriations, noncapital	4,572,570
Federal State Fiscal Stabilization Fund	4,920,360
Federal revenues, noncapital	7,200,897
General property taxes, noncapital	33,315,777
Increase in deposits held in custody for others	288,371
Direct loans receipts	8,489,028
Direct loans disbursements	(8,489,028)
Net cash provided by noncapital financing activities	<u>50,383,533</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition or construction of capital assets	(11,188,887)
Principal paid on loans and capital leases	(1,168,858)
Interest paid on loans and capital leases	(747,412)
Payment of prior year payables for capital assets	(705,786)
Net cash used in capital and related financing activities	<u>(13,810,943)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(843,388)
Proceeds from sales of investments	565,293
Investment earnings	195,251
Net cash used in investing activities	<u>(82,844)</u>

Increase in Cash and Cash Equivalents

7,388,115

Cash and Cash Equivalents, Beginning of Year

28,779,314

Cash and Cash Equivalents, End of Year (includes \$2,557,338 money market funds-restricted for construction)

\$ 36,167,429

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (32,213,096)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization expense	3,726,535
Decrease (increase) in assets:	
Receivables, net	(604,592)
Inventory	175,218
Prepaid expenses	(220,687)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(122,355)
Deferred revenues	426,878
Compensated absences	(269,532)
Net cash used in operating activities	<u>\$ (29,101,631)</u>

Noncash capital and related financing activities:

Construction accounts payable and retainages payable in accounts payable	\$ 736,149
Amortization of bond issuance costs	46,407
Amortization of deferred capital lease premium-certificates of participation	27,733
Capital assets donated to the District	66,800
Interest cost capitalized	70,628
Unrealized gain/loss on investment	29,262

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from donors	\$ 575,560
Interest and dividends received	78,182
Cash paid to support College programs	(299,512)
Cash paid to employees and suppliers	(28,445)
Net cash provided by operating activities	<u>325,785</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net increase in investments	(161,940)
Net cash used in investing activities	<u>(161,940)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted for endowments	500
Net cash provided by financing activities	<u>500</u>

Net increase in cash and cash equivalents	164,345
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Beginning cash and cash equivalents balance	1,857,840
Ending cash and cash equivalents balance	<u>\$ 2,022,185</u>

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ 486,232
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net gain on investments	(258,510)
Contributions restricted for endowments	(500)
Changes in operating assets and liabilities:	
Contributions receivable	234,259
Other receivables	(100,000)
Interest receivable	1,716
Split-interest payable	(212)
Deferred revenue	(37,200)
Net cash provided by operating activities	<u>\$ 325,785</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 nonprofit corporation (the Corporation), was established on February 6, 2002, to acquire real and personal property to be used by the College or the Authority.

The Aims College Campus Planned Community Association (the Association), a not-for-profit corporation under the Colorado Revised Nonprofit Corporation Act, was incorporated August 30, 2006, and was created pursuant to a Declaration (the Declaration) by the Aims Junior College District to acquire real and personal property to be used by the District or the Association. The Declaration created separate ownership of a planned community unit and for the ownership and management by the association of the common elements appurtenant thereto. The planned community unit represents property leased under a lease purchase agreement between Wells Fargo Bank, National Association and the District, as lessee (see Note 17 for further information regarding the lease agreement).

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 well-being 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 \$90,199 to the operations of the District and provided \$200,027 directly to students for scholarships for the year ended June 30, 2010. The District has recorded \$1,841,229 as Deposits Held in Custody for Others on behalf of the Foundation as of June 30, 2010.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. Grant revenues are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. In addition, all significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents, include money market accounts and other demand deposits, including funds deposited in COLOTRUST, 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 2010 levy for the District was 6.31 mills, or approximately \$31,152,862. Anticipated tax revenue not received at June 30 is recorded as property tax receivable in the statement of net assets.

Deferred Capital Lease Issuance Costs

Issuance costs associated with the issuance of bonds or other long-term debt obligations, including certificates of participation, are deferred and amortized to expense over the life of the respective obligation using the interest method.

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 exceed \$50,000 and 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 between 27.5 and 40 years for buildings, 15 to 20 years for land improvements, and 3 to 10 years for equipment.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of 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. Deferred capital lease premium, which is netted against the related obligation, represents the deferral of the premium on the issuance of the 2006 certificates of participation that is being amortized to interest expense over the life of the obligations using the interest method.

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 Revenues

The District has classified its revenues 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Nonoperating revenues: Nonoperating revenues are those revenues that do not meet the definition of operating revenues. For example, nonoperating revenues include state appropriations, Pell Grant revenues, 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. Under the Alternative Method, institutions may use a rational, documented allocation methodology to determine the portion of applicable financial aid support to be applied as scholarship allowances and student aid expenses.

NACUBO provides guidance for two methods for the application of financial aid and institutional resources to student accounts receivable. The first is on a case-by-case method and the second is a rational allocation method. Because a case-by-case method is not feasible for most institutions, the rational allocation or ‘Alternate Method’ is the preferred method of determining tuition and scholarship allowances. NACUBO issued Advisory Report 2000-05, September 8, 2000, detailing the ‘Alternate Method.’

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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 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, 2010, the District's deposits of cash and certificates of deposits in banks, exclusive of restricted money market funds, was \$1,162,707. 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 \$5,860 at June 30, 2010. The balance reflected below for 1st National Bank has been reduced for outstanding checks of \$1,933,477, which have been recorded in the Statement of Net Assets as accounts payable at June 30, 2010. The District has a sweep agreement with First National Bank utilizing the Goldman Sachs account to cover checks when presented for payment.

Cash and cash equivalents as of June 30, 2010 is comprised of the following:

First National Bank	\$	64,100
First National Bank - Money Market		123,672
Wells Fargo Bank		249,984
Wells Fargo Advantages - Money Market		270,474
Goldman Sachs Fin SQ FDS Government Preferred 488		18,602,772
COLOTRUST		<u>14,293,229</u>
		33,604,231
Cash on hand		<u>5,860</u>
Total	\$	<u><u>33,610,091</u></u>

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

NOTE 3—DEPOSITS AND INVESTMENTS (cont'd)

which is pledged for payment by the United States, a federal farm credit bank, a 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, 2010, the District's investment in Colorado Local Government Liquid Asset Trust (COLOTRUST) investment pool was rated AAAM by Standard and Poor's.

As of June 30, 2010, the District had the following investments, restricted money market funds and certificates of deposit with original maturities greater than 90 days:

I. First National

<u>Investment</u>	<u>Current Market Value</u>	<u>Cost Basis</u>	<u>Current Yield</u>	<u>Maturity</u>	<u>Credit Rating</u>	
					<u>Moody's</u>	<u>S&P</u>
<u>Corporate Obligations - Bonds</u>						
Toyota Motor Credit	\$ 25,942	\$ 26,760	5.45%	5/18/2011	Aa2	AA
Citibank NA FDIC	25,229	24,983	1.50%	7/12/2011	Aaa	AAA
Bear Stearns Co	52,447	52,263	5.50%	8/15/2011	Aa3	A+
Wachovia Corp	52,332	51,751	5.30%	10/15/2011	A1	AA-
Merck & Co Inc.	52,532	54,329	5.13%	11/15/2011	Aa3	AA-
General Electric Corp.	52,383	52,261	5.00%	11/15/2011	Aa2	AA+
Private Expt Fdg Cor	26,563	26,993	4.90%	12/15/2011	Aaa	AA+
Chevron Corp	52,111	51,812	3.45%	3/3/2012	Aa1	AA
Pfizer Inc	52,749	52,401	4.45%	3/15/2012	A1	AA
Berkshire Hathwy	53,083	53,696	4.75%	5/15/2012	Aa2	AA+
United Parcel Service	54,032	53,983	4.50%	1/15/2013	Aa3	AA-
	<u>499,403</u>	<u>501,232</u>				
<u>Certificates of Deposit</u>						
Mutual Bank of Omaha	76,728	76,841	2.28%	12/10/2010		
Solera National Bank	51,250	51,250	2.48%	6/9/2011		
	<u>127,978</u>	<u>128,091</u>				
<u>Government issued or guaranteed bonds</u>						
Fed Home Loan Bank	25,664	26,392	4.63%	2/18/2011	Aaa	AAA
Fed Home Loan Bank	26,086	26,411	4.38%	8/15/2011	Aaa	AAA
Fed Farm Credit Bank	51,344	49,880	2.13%	6/18/2012	Aaa	AAA
Fed Farm Credit Bank	27,297	27,419	5.45%	6/21/2012	Aaa	AAA
Fed Home Loan Bank	27,000	26,890	4.63%	8/15/2012	Aaa	AAA
	<u>157,391</u>	<u>156,992</u>				
<u>Treasury Inflation-Protection Securities</u>						
UST INFL INDEX NTS	81,604	79,757	1.88%	7/15/2013	Aaa	AAA
UST INFL INDEX NTS	81,695	79,172	2.00%	1/15/2014	Aaa	AAA
	<u>163,299</u>	<u>158,929</u>				
Total Investments - First National	\$ 948,071	\$ 945,244				

NOTE 3—DEPOSITS AND INVESTMENTS (cont'd)

II. Wells Fargo Investments

<u>Investment</u>	<u>Current Market Value</u>	<u>Cost Basis</u>	<u>Current Yield</u>	<u>Maturity</u>	<u>Credit Rating</u>	
					<u>Moody's</u>	<u>S&P</u>
<u>Government issued or guaranteed bonds</u>						
Fed Home Loan Mortgage Corp - Med Term Note	\$ 101,786	\$ 100,000	3.40%	2/15/2011	AGY	AGY
Fed Home Loan Bank	51,922	50,633	3.63%	9/16/2011	AGY	AGY
Fed National Mortgage Association	105,719	102,778	5.00%	10/15/2011	AGY	AGY
Fed Farm Credit Bank	106,688	102,848	4.40%	4/25/2012	AGY	AGY
Fed Home Loan Bank	102,406	100,761	1.95%	11/15/2012	AGY	AGY
Fed Home Loan Bank	107,188	106,018	3.75%	6/14/2013	AGY	AGY
Fed Home Loan Mortgage Corp - Med Term Note	110,739	108,273	4.50%	4/2/2014	AGY	AGY
Fed Home Loan Mortgage Corp - Med Term Note	201,292	200,000	1.50%	12/15/2014	AGY	AGY
	<u>887,740</u>	<u>871,311</u>				
<u>Corporate Obligations - Bonds</u>						
Wal Mart Stores	50,000	50,625	4.13%	7/1/2010	AA2	AA
National Rural Utility Coop Mtn	101,954	101,266	4.25%	3/15/2011	A2	A
Morgan Stanley	103,461	105,288	6.75%	4/15/2011	A2	A
Arden Realty LP	103,161	102,472	5.20%	9/1/2011	AA2	AA+
Merck & Co Inc.	52,532	51,742	5.13%	11/15/2011	AA3	AA-
Wachovia Corp Medium Term	108,534	98,245	5.50%	5/1/2013	A1	AA-
	<u>519,642</u>	<u>509,638</u>				
Total Investments - Wells Fargo	<u><u>\$ 1,407,382</u></u>	<u><u>\$ 1,380,949</u></u>				
<u>Money Market Funds - restricted</u>						
Wells Fargo Advantage Funds - Government Money Market Fund	<u><u>\$ 2,557,338</u></u>	<u><u>\$ 2,557,338</u></u>			AAA	AAA
<u>Certificate of Deposits</u>						
Colorado East Bank & Trust	\$ 247,261	\$ 247,261				
Bank of Colorado	207,216	207,216				
	<u><u>\$ 454,477</u></u>	<u><u>\$ 454,477</u></u>				
<u>Statement of net assets classification</u>						
Short-term investments and certificates of deposit-unrestricted	\$ 991,262					
Money market funds-restricted for construction	2,557,338					
Long-term investments	1,818,668					

The District does have a formal investment procedure 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 investments with at least two credit ratings from any of the nationally recognized credit rating agencies and such investments 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, a federal land bank, a federal home loan bank, the

NOTE 3—DEPOSITS AND INVESTMENTS (cont'd)

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.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. Approximately 36.7% of the District's deposits and investments are in the COLOTRUST investment pool. The District also has 6.6% of its deposits and investments restricted for construction and or repayment of the certificates of participation issued in August of 2006. In addition, approximately 53.7% of the District's deposits and investments are invested in Government-backed securities as direct holdings with the District's First National Bank Investment Account (2.4%) and the Wells Fargo Investment Account (3.6%) or through our First National Bank Investment – Goldman Sachs Government Preferred Account (47.7%).

The following details the investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2010:

Mutual funds	\$ 778,773
Equities	1,446,382
U.S. Treasury notes	279,820
Corporate bonds	510,322
Real estate and specialty assets	<u>314,477</u>
Total	<u>\$ 3,329,774</u>

NOTE 4—LAND HELD FOR DEVELOPMENT

Land held for development is carried at cost and is comprised of land, water rights, professional fees, and site preparation costs related to land owned by the District that is being proposed for development 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, 2010.

	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 8,735,272	\$ -	\$ -	\$ 8,735,272
Land Improvements	1,931,538	-	-	1,931,538
Art/Historical Figures	42,132	-	-	42,132
Total capital assets, not being depreciated	10,708,942	-	-	10,708,942
Capital assets, being depreciated:				
Land Improvements	2,301,268	924,772	-	3,226,040
Buildings & Improvements	54,538,564	7,854,990	-	62,393,554
Vehicles	1,031,042	34,032	12,000	1,053,074
Equipment	15,627,052	1,325,752	548,804	16,404,000
Leasehold Improvements	541,535	-	-	541,535
Total capital assets, being depreciated	74,039,461	10,139,546	560,804	83,618,203
Less Accumulated Depreciation				
Land Improvements	1,287,991	101,547	-	1,389,538
Buildings & Improvements	18,990,080	1,762,490	-	20,752,570
Vehicles	752,833	99,449	12,000	840,282
Equipment	9,957,559	1,642,627	491,273	11,108,913
Leasehold Improvements	148,359	74,016	-	222,375
Total Accumulated Depreciation	31,136,822	3,680,129	503,273	34,313,678
Total capital assets, being depreciated, net	42,902,639	6,459,417	57,532	49,304,525
Add Construction in Progress	4,157,178	5,491,337	3,756,082	5,892,433
Net Carrying Amount	\$ 57,768,759	\$ 11,950,754	\$ 3,813,614	\$ 65,905,900

Included in land improvements not being depreciated are \$280,200 of water rights.

Interest cost capitalized for 2010 was as follows:

Horizon Hall	\$ 98
College Center	70,530
	<u>\$ 70,628</u>

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. 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 Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy

The District is required to contribute member and employer contributions to PERA 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% of covered salary. Effective July 1, 2010, the member contribution rate will increase to 10.5% and the employer contribution rate will decrease to 7.65% due to the passage of Senate Bill 10-146. The contribution change is a temporary, one year modification that will end on June 30, 2011. A portion of the District's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund (See Note 8). The District is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the calendar year 2010 (1.80% of total payroll for the calendar year 2009, and 1.40% of total payroll for the calendar year 2008). Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar year 2010 (1.00% of the total payroll for the calendar year 2009, and 0.50% of the total payroll for the calendar year 2008). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including the AED and SAED) on the amounts paid for the retiree, no member contributions are required. However, Senate Bill 10-001 requires retirees who return to work for a PERA covered employer to make nonrefundable contributions at the same rate as members working for the employer. Therefore, beginning January 1, 2011, retirees will be treated the same as members with respect to the above contribution. For more detailed information on SB 10-146 and SB 10-001 contact Colorado PERA.

For the years ended June 30, 2010, 2009, and 2008, the District's employer contribution to the SDTF were \$2,504,677, \$2,343,814, and \$1,968,332, respectively, equal their required contributions for each year.

NOTE 7—DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees of the District who are members of the SDTF (see Note 6) 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. PERA issues a publicly available Annual Report for Colorado PERA's 401(k) Plan. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$16,500 for the calendar year 2009 and calendar year 2010). Catch-up contribution up to \$5,500 for the calendar year 2009 and the calendar year 2010 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). 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 Division Trust 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 fiscal year 09-10, 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 School Division 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 requirements 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 \$1,459,786 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.

As of June 30, 2010, the District had construction commitments outstanding of approximately \$736,149 principally related to the outstanding construction costs of the remodeling of the College Center Building. The remodeling project is expected to be completed early July 2010. The District will then begin to remodel the Horizon Hall building as phase two of its approved construction / remodeling plan approved by the Board prior to the economic downturn. The expected completion date for Horizon Hall is in the summer of 2011. No other major construction projects have been approved by the Board.

NOTE 10—COMPENSATED ABSENCES

The District's 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, 2010, is \$1,439,224.

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

In June 2009, the Board of Trustees voted to revise the Leave of Absence policy to change the sick leave accrual from 10.67 hours per month to 8 hours. The change also eliminated the payout of accrued sick leave for employees hired on or after July 1, 2009. In June of 2010, the Board agreed to allow the above change for sick leave accrual from 10.67 to 8 hours to sunset after June 2012 for faculty hired before July 1, 2009. The District reserved the right to renegotiate the sunset provision prior to June 2012 through the consultation process.

NOTE 11—LONG-TERM LIABILITIES

The following presents changes in long-term liabilities for the year ended June 30, 2010:

	Balance, June 30, 2009	Additions	Reductions	Balance, June 30, 2010	Amounts Due Within One Year
Loans Payable	\$ 3,368,596	\$ -	\$ (488,858)	\$ 2,879,738	\$ 509,790
Certificates of Participation	18,040,000	-	(680,000)	17,360,000	710,000
Unamortized Capital Lease Premium-Certificates of Participation	294,712	-	(27,733)	266,979	-
Total	\$ 21,703,308	\$ -	\$ (1,196,591)	\$ 20,506,717	\$ 1,219,790
Other Liabilities:					
Retirement Benefits	\$ 495,162	\$ -	\$ (288,768)	\$ 206,394	139,402
Accrued Compensated Absences	1,419,988	19,236	-	1,439,224	287,845
Total Other Liabilities	\$ 1,915,150	\$ 19,236	\$ (288,768)	\$ 1,645,618	\$ 427,247

Amounts shown in "Balance, June 30, 2010" of long-term liabilities include both current and noncurrent portions. Additional information regarding loans payable obligations are included in Note 12, retirement benefits payable are included in Note 14 and Certificates of Participation are included in Note 17.

NOTE 12—LOANS PAYABLE

On July 29, 2005, Aims Leasing Corporation (the 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. The note is collateralized by a building. Additional proceeds from the refinancing were used to purchase new equipment for the flight simulator and pay closing costs. The two promissory notes were previously held by Union Colony Bank and GE Capital. The refinancing was conducted by 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 loan covenants. 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	Interest	Total
2011	\$ 509,790	\$ 111,210	\$ 621,000
2012	531,618	89,382	621,000
2013	554,381	66,619	621,000
2014	578,118	42,882	621,000
2015	602,872	18,128	621,000
2016	102,959	541	103,500
Total Loans Payable	\$ 2,879,738	\$ 328,762	\$ 3,208,500

NOTE 13—LEASES

The District leases space and equipment under operating leases to conduct its operations. Rental payments for operating leases were \$341,414 for the year ended June 30, 2010. The future minimum rental payments for operating leases as of June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 41,829
2012	<u>21,600</u>
	<u><u>\$ 63,429</u></u>

The District has operating leases for airplanes used in its flight training program. The planes are leased on a per hour basis. Rental payments under these leases for the year ended June 30, 2010 were \$151,469.

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, 2010, \$206,394 is due to individuals whose applications have been approved by the Board of Trustees. The liability as of June 30, 2010 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, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 139,402
2012	30,394
2013	10,457
2014	10,457
2015	10,457
2016	5,227
	<u>\$ 206,394</u>

As of June 30, 2010, all eligible employees have declared their retirement dates. Therefore, all future payments for the Retention and Recognition Plan are included in the above figures.

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, 2010:

Total capital assets, net of accumulated depreciation	\$	65,905,900
plus (less):		
Loans payable, current portion		(509,790)
Capital leases payable-certificates of participation, current portion		(710,000)
Loans payable, noncurrent		(2,369,948)
Capital leases payable-certificates of participation, noncurrent		(16,916,979)
Unspent proceeds-certificates of participation, restricted funds		2,557,338
Deferred capital lease issuance costs, net		446,756
Construction accounts payable		(736,149)
	\$	<u>47,667,128</u>

NOTE 16—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2010, the following table represents operating expenses within both natural and functional classifications:

FUNCTIONAL CLASSIFICATIONS	NATURAL CLASSIFICATION					TOTAL OPERATING EXPENSES
	Employee & Personnel Services	Operating	Cost of Goods Sold	Depreciation	Student Aid	
Instruction	\$ 12,987,387	\$ 5,620,885	\$ 54,985	\$ -	\$ -	\$ 18,663,257
Public Service	-	12,500	-	-	-	12,500
Academic Support	3,438,279	746,997	-	-	-	4,185,276
Student Services	2,394,905	517,916	-	-	-	2,912,821
Institutional Support	4,012,226	1,389,782	-	-	-	5,402,008
Operation of Plant	1,179,717	4,687,580	-	-	-	5,867,297
Student Aid	-	3,531	-	-	7,981,914	7,985,445
Auxiliaries	742,275	358,012	1,898,069	-	-	2,998,356
Depreciation and Amortization	-	-	-	3,726,535	-	3,726,535
TOTAL EXPENSES	\$ 24,754,789	\$ 13,337,203	\$ 1,953,054	\$ 3,726,535	\$ 7,981,914	\$ 51,753,495

NOTE 17— CAPITAL LEASE PAYABLE-CERTIFICATES OF PARTICIPATION

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, National Association, solely in its capacity as Trustee under an Indenture of Trust, as Lessor (Lessor), whereby Lessor issued Certificates of Participation (COP), Series 2006, to finance the construction of a new health/science building, the leased property. 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. Base rental payments under the lease equal the principal and interest on the Certificates. The lease is subject to annual termination by the District and will be terminated upon the occurrence of an Event of Nonappropriation by the Board or an Event of Default under the lease.

In connection with the capital lease transaction, the District, through a Declaration, formed the Aims College Campus Planned Community Association (the Association), as a nonprofit company to own common elements or the real property on which the new health/science building is being constructed. Common elements represent all portions of the planned community created by the Declaration other than the units (buildings constructed thereon and any other improvements located thereon) within the planned community.

The Certificates bear per annum interest and mature serially beginning December 15, 2007 and continue annually through December 15, 2026. The Certificates interest rates range from 4.0% 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 in a chart on the following page.

**NOTE 17—CAPITAL LEASE PAYABLE-CERTIFICATES OF PARTICIPATION
(cont'd)**

Maturity Schedule

<u>Year ending June 30</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
2011	4.000%	3.750%	\$ 710,000	\$ 776,844	\$ 1,486,844
2012	4.000%	3.800%	740,000	747,844	1,487,844
2013	5.000%	3.860%	775,000	713,669	1,488,669
2014	4.250%	3.940%	805,000	677,188	1,482,188
2015	4.250%	4.020%	840,000	642,231	1,482,231
2016	4.250%	4.070%	875,000	605,788	1,480,788
2017	4.250%	4.120%	915,000	567,750	1,482,750
2018	4.100%	4.200%	950,000	528,831	1,478,831
2019	4.125%	4.260%	990,000	488,937	1,478,937
2020	4.250%	4.310%	1,025,000	446,737	1,471,737
2021	5.000%	4.350%	1,075,000	398,081	1,473,081
2022	4.750%	4.390%	1,130,000	344,369	1,474,369
2023	5.000%	4.430%	1,180,000	288,031	1,468,031
2024	5.000%	4.460%	1,240,000	227,531	1,467,531
2025	5.000%	4.480%	1,305,000	163,906	1,468,906
2026	5.000%	4.500%	1,370,000	97,031	1,467,031
2027	4.375%	4.540%	1,435,000	31,392	1,466,392
Total Certificates of Participation			<u>\$ 17,360,000</u>	<u>\$ 7,746,160</u>	<u>\$ 25,106,160</u>

NOTE 18—CURRENT ECONOMIC CONDITIONS

The current protracted economic decline continues to present public institutions of higher education with difficult circumstances and challenges. The financial statements have been prepared using values and information currently available to the District.

Current economic conditions have made it difficult for the State of Colorado to fund Higher Education at levels previously provided. Higher Education funding for Local College Districts by the State is appropriated as an individual line item in the State Long Appropriation Bill. For fiscal year 2010, the School did receive approximately \$4.92 million in federal State Fiscal Stabilization Funds (SFSF) under the federal ARRA to offset the loss of funding by the State. If SFSF funding diminishes and the School continues to receive reduced appropriation from the State, such reduced funding may have an adverse impact on the School's future operating results.

In addition, given the volatility of current economic conditions, the value of assets and liabilities recorded in the financial statements could change rapidly, resulting in future adjustments to investment values and allowances.

In anticipation of future reductions in State funding to the District, the District has implemented a number of cost savings strategies to help mitigate some of the impact reduced funding may have on the School. The District has eliminated a number of property leases; frozen wage increases and put a soft freeze on hiring, reduced travel expenditures, implemented energy savings strategies, increased tuition, and added or increased some fees to help offset some of the costs associated with the services provided. In addition, the District continues to monitor program costs to ascertain relevance and cost effectiveness. The District continues to vigilantly monitor the State Funding for Higher Education so it can respond rapidly to any changes that might impact the District.

NOTE 19—ADOPTION OF ACCOUNTING PRINCIPLES

During the year ended June 30, 2010, the District adopted Governmental Accounting Standards Board Statements No. 51 and 53, *Accounting and Financial Reporting for Intangible Assets* and *Accounting and Financial Reporting for Derivative Instruments*, respectively. GASB Statement No. 51 requires that all intangible assets be classified as capital assets. GASB Statement No. 53 provides a framework for the measurement, recognition, and disclosure for derivative instrument transactions. The District does not have derivatives as of June 30, 2010. Adoption of GASB Statements No. 51 and 53 had no effect on beginning net assets or change in net assets for fiscal year 2010.

SUPPLEMENTARY INFORMATION

**AIMS JUNIOR COLLEGE DISTRICT
ALL FUNDS
ACTUAL TO BUDGET COMPARISON**

Year Ended June 30, 2010	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Tuition and fees	\$ 14,639,631	\$ 13,105,963	\$ 1,533,668
Less: Tuition Discounts (Student Financial Aid)	(2,038,098)	-	(2,038,098)
Net Tuition and Fees	12,601,533	13,105,963	(504,430)
Gifts, grants and contracts	10,640,100	13,074,860	(2,434,760)
Auxiliary operating revenue	2,902,472	3,000,663	(98,191)
Other operating revenue	597,191	360,000	237,191
Total Operating Revenues	26,741,296	29,541,486	(2,800,190)
Operating Expenses:			
Education and general	37,043,159	42,771,874	5,728,715
Student aid	7,985,445	8,449,800	464,355
Depreciation expense	3,726,535	-	(3,726,535)
Auxiliary enterprises expenses	2,998,356	2,931,619	(66,737)
Total Operating Expenses	51,753,495	54,153,293	2,399,798
Nonoperating Revenues and Expenses:			
General property taxes	33,067,669	32,395,603	672,066
State appropriations	4,572,570	4,550,510	22,060
Federal State Fiscal Stabilization Fund	4,920,360	4,920,360	-
Investment gain	158,666	214,178	(55,512)
Interest expense	(835,599)	(804,644)	(30,955)
Loss on disposal of assets	(57,532)	-	(57,532)
Contribution from the Foundation	152,358	-	152,358
Total Nonoperating Revenue and Expense	41,978,492	41,276,007	702,485
Transfers In (Out):			
Nonmandatory transfers in	49,348,017	18,789,194	30,558,823
Nonmandatory transfers out	(49,348,017)	(18,730,904)	(30,617,113)
Total Transfers In (Out)	-	58,290	(58,290)
Increase in Net Assets	\$ 16,966,293	\$ 16,722,490	\$ 243,803

REPORTS REQUIRED BY OMB CIRCULAR A-133

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 the discretely presented component unit of Aims Junior College District (the District) as of and for the year ended June 30, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated November 1, 2010, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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 November 1, 2010.

This report is intended solely for the information and use of the Board of Trustees, management and others within the District 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

November 1, 2010

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, 2010. 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, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the Board of Trustees, management, others within the District, 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

November 1, 2010

Aims Junior College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA # Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Education</i>		
Student Financial Assistance Cluster		
Federal Pell Grant Program	84.063	\$ 7,200,897
Federal Supplemental Educational Opportunity Grants	84.007	66,289
Federal Work-Study Program	84.033	82,227
Federal Direct Student Loans	84.268	8,489,028
Academic Competitiveness Grants	84.375	5,908
		<hr/> 15,844,349
TRIO Cluster		
Trio Student Support Services	84.042	269,496
State Fiscal Stabilization Fund Cluster		
<i>Passed through State of Colorado</i>		
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394A	4,920,360
Child Care Access Means Parents In School	84.335	2,767
<i>Passed through Colorado Department on Higher Education</i>		
Leveraging Educational Assistance Partnership	84.069	10,528
<i>Passed through Colorado Community Colleges</i>		
Career and Technical Education -- Basic Grants to States:		
Postsecondary Non-Reserved Grant:	84.048	
Academic Rigor		10,506
Secondary/Postsecondary Linkages		18,370
Professional Development		6,129
Evaluations		9,261
Expand & Modernize		378,574
Sufficient Scope		3,785
Special Populations		1,853
		<hr/> 428,478
<i>Total U.S. Department of Education</i>		21,475,978

Aims Junior College District
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2010

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA # Number</u>	<u>Federal Expenditures</u>
<u><i>National Science Foundation</i></u>		
<i>Passed through Arapahoe Community College</i> Education and Human Resources	47.076	12,744
<i>Passed through Colorado State University</i> Education and Human Resources	47.076	9,500
<i>Total National Science Foundation</i>		<u>22,244</u>
<u><i>U.S. Department of Health and Human Services</i></u>		
Head Start Cluster		
Head Start	93.600	40,218
<i>Passed through Community Development Institute Head Start</i> Head Start	93.600	13,698
<i>Passed through Weld County Department of Human Services</i> ARRA - Head Start	93.708	<u>14,459</u>
		68,375
<i>Passed through Colorado Department of Public Health and Environment</i> National Bioterrorism Hospital Preparedness Program	93.889	6,163
<i>Total U.S. Department of Health and Human Services</i>		<u>74,538</u>
<u><i>U.S. Department of Agriculture</i></u>		
<i>Passed through Colorado Department of Public Health and Environment:</i> Child and Adult Care Food Program	10.558	23,497
<u>Total Expenditures of Federal Awards</u>		<u>\$ 21,596,257</u>

Aims Junior College District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

1. This schedule includes the federal awards 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 basic financial statements.
2. Of the federal expenditures presented in this schedule, there were no funds passed on to subrecipients.

Aims Junior College District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Summary of Auditor's Results

1. The opinion(s) expressed in the independent accountants' report was (were):
☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

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

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

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

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

Aims Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2010

7. The District's major programs were:

Cluster/Program	CFDA Number
TRIO Cluster	84.042
Career and Technical Education – Basic Grants to States	84.048
State Fiscal Stabilization Fund Cluster, including ARRA	84.394A

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$647,888.

9. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

☒ Yes ☐ No

Aims Junior College District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2010

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Aims Junior College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

Reference Number	Summary of Finding	Status
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No matters are reportable.