Aims Community College

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORTS

YEAR ENDED JUNE 30, 2011

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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 accounting principles generally accepted in the United States of America, Colorado Higher Education Standards, and other applicable guidelines. Readers are encouraged to read the accompanying notes along with their review of the financial statements.

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

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

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

Michael Kelly
Chief Administrative Officer

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CPAs & Advisors

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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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Aims Community College Foundation, the discretely presented component unit of the District, as of and for the year ended June 30, 2011. Those financial statements were audited by other accountants whose report thereon 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 component unit of the District, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 2, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2011. 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, 2011:

- Net assets increased by 15.0% in 2011. This was less than the 25.2% increase in 2010, primarily due to a significant decrease in property tax revenue for oil and gas. Property tax revenue for oil and gas are received in arrears. The unusual spike in the price for oil and gas prior to the economic downturn added approximately seven million dollars in property tax revenue in 2010. This significant event was 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 two million dollars of the 2010 increase can be attributed to cost savings measures implemented with operating expenses. In 2011, the College recognized higher tuition and fee revenue due to increased enrollment and tuition rates; and increased awards for Federal, State, and local grants. Federal dollars from the American Recovery and Reinvestment Act (ARRA) allocated by the State for 2011 was $382,265 compared to $4.9 million dollars received in 2010. More detailed information will follow later in this discussion.

- Unrestricted net assets increased 34.5%, primarily due to higher tuition revenue, federal nonoperating revenue, and reductions in operating expenses. The College reduced its operating expenses by approximately $2.9 million dollars (excluding depreciation and student aid).

State appropriations received in fiscal year 2011 were $8,546,930, which was $3,974,360 higher than the 2010 State appropriations received of $4,572,570. In late June of 2010, the State re-appropriated funding from higher education institutions in the state in order to help balance the projected State budget shortfall. At the same time, the State backfilled the reduction with stimulus funds it received from the American Recovery and Reinvestment Act (ARRA). In doing this, the State substantially depleted the remaining ARRA dollars that it could use for funding higher education in 2011, and therefore had to utilize a greater portion of State general fund dollars in 2011. 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 slowdown.

Financial and Enrollment Highlights (cont'd)

- Operating revenues increased 4.1% due to higher tuition revenue and Federal, State, and local grant revenue. Student FTE increased by 2.1% over 2010, overall headcount increased by 0.3%, which contributed to the increased tuition revenue collected. It would appear that students are taking a greater number of courses compared to students in 2010, based on the percentage change between FTE and headcount.

- Total operating expenses for 2011 decreased 2.7% from 2010. However, operating expenses for education and general expense less student aid are down 7.0% from 2010 or approximately $2.6 million. The College has implemented a number of cost savings measures to help offset some of the expected future shortfalls in State funding. These savings are after a 2.1% increase in student FTE, and a $775,000 increase in contracted services for helicopter aviation program surrounding the new VA Chapter 33 bill (which is offset with helicopter fee revenue). In August 2009, the VA Chapter 33 Post 9/11 educational benefit went into effect. As a result of this educational benefit, the College 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). If you factor out the helicopter expense, the core reduction in education and general expense would be approximately 5.3% for 2011. Employee and personnel services expenses decreased 2.2%, and student aid increased 12.2%. The District also had decreased expenses associated with operation of plant (28.9%) reflective of the completion of the remodeled College Center (July 2010) and Horizon Hall remodel (completed in March 2011). In addition, the College had reduced expenses for academic support (16.8%), student services (.3%), institutional support (.1%), and auxiliary (9.4%). Depreciation and amortization expense increased in 2011 (14.2%), due to the inclusion of the Windsor Automotive Center (December 2009), College Center remodel, and Horizon Hall remodel.

- Net nonoperating revenues decreased by $6.4 million (13.1%) in 2011 mostly due to an unusual decrease in property tax revenue ($6.76 million) for oil and gas from 2010. In addition, although the State appropriations increased by $3.97 million, the College witnessed a reduction in ARRA dollars from the State of $4.54 million. A portion of the ARRA dollars received in 2010 reduced the remaining ARRA funds identified for allocation in 2011 for higher education, and therefore the State appropriated more general fund dollars to fund higher education institutions in 2011.

- Nonoperating expenses increased $239,636 for 2011. The College recognized greater losses for disposal of assets due to lease termination and the associated cost of leasehold improvements. The largest expense is for interest expense associated with the financing of the Allied Health & Science Building. (See Note 17 of the financial statements).

Financial and Enrollment Highlights (cont'd)

The tables below summarize student enrollment data over the past five years. The economic environment and 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
2011	8,068	0.3%
2010	8,043	2.4%
2009	7,852	9.2%
2008	7,191	-2.9%
2007	7,408	-0.3%

Student FTE Enrollment

	Resident FTE				Nonresident FTE		Combined FTE	
Fiscal Year	In-District	Out-of-District	TOTAL	Percent of Change	Out-of-State	Percent of Change	TOTAL	Percent of Change
2011	2,874	684	3,558	2.04%	119	5.31%	3,677	2.14%
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%

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

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

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

Statement of Net Assets

The statement of net assets is a financial snapshot of the District. It presents the fiscal resources of the District (assets), the claims against those resources (liabilities), and the residual available for future operations (net assets). The statement of net assets is prepared using the accrual basis of accounting, which is similar to the accounting methodology used by most private sector companies. Assets and liabilities are classified by liquidity as either current or noncurrent. Net assets are classified by the way in which they may be used for future operations. An increase or decrease in the District's net assets is one indicator of whether its financial health is improving or deteriorating. Consideration of other nonfinancial factors will need to be used to assess the overall health of the District. For the year ended June 30, 2011, net assets increased 15.0%.

Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010
Assets		
Current Assets	$ 45,202,031	$ 41,313,392
Noncurrent Assets - Noncapital	13,765,447	6,274,327
Capital, Net of Accumulated Depreciation	65,514,851	65,905,900
Total Assets	**124,482,329**	**113,493,619**
Liabilities		
Current Liabilities	8,297,950	8,649,833
Noncurrent Liabilities - Loans Payable	1,838,330	2,369,948
Noncurrent Liabilities - Certificates of Participation	16,150,204	16,916,979
Other Noncurrent Liabilities	1,198,300	1,218,371
Total Liabilities	**27,484,784**	**29,155,131**
Net Assets		
Invested in Capital Assets		
Net of Related Debt	48,048,270	47,667,128
Restricted--Expendable	1,590,480	1,470,778
Unrestricted	47,358,795	35,200,582
Total Net Assets	**$ 96,997,545**	**$ 84,338,488**

Current Assets

Cash and cash equivalents of $36,486,170 comprise 37.6% of the District's total net assets. The current ratio (current assets over current liabilities) is approximately five to one (5:1). This means that for every dollar ($1) of liability currently due next fiscal year, the District has about five dollars ($5) 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 decrease in net capital assets of 0.6% is primarily attributable to the effect of the increases in accumulated depreciation related to the Windsor Automotive Center, remodel of the College Center and Horizon Hall. In addition, there is the offset for disposal of plant assets and leasehold improvements. The effect of the increase in accumulated depreciation was greater than the capital acquisitions and improvements for 2011. Note 5 of the financial statements summarizes the changes in capital assets between fiscal year 2011 and 2010.

Liabilities

Obligations of the District decreased 5.7% over last year's amount. The decrease is mostly attributable to the reduction in long-term debt and obligations, and accounts payable. Total debt associated with the loan payable and certificates of participation decreased by 6.1% for 2011. The accounts payable decrease is associated with the College's cost cutting measures implemented to reduce expenses. The retirement benefits obligation decreased 67.5% from the amount in 2010. This change is in direct relation to the College'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 areas with measurable liability increases are deferred revenue and deposits held in the custody of others. Deferred revenue increased 11.8% due to the increased summer enrollment and tuition and fee increases. 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, 2011 are recorded as deferred revenue. Deposits held in the custody of others increased 20.7%, and is mostly attributable to funds for the Aims Foundation.

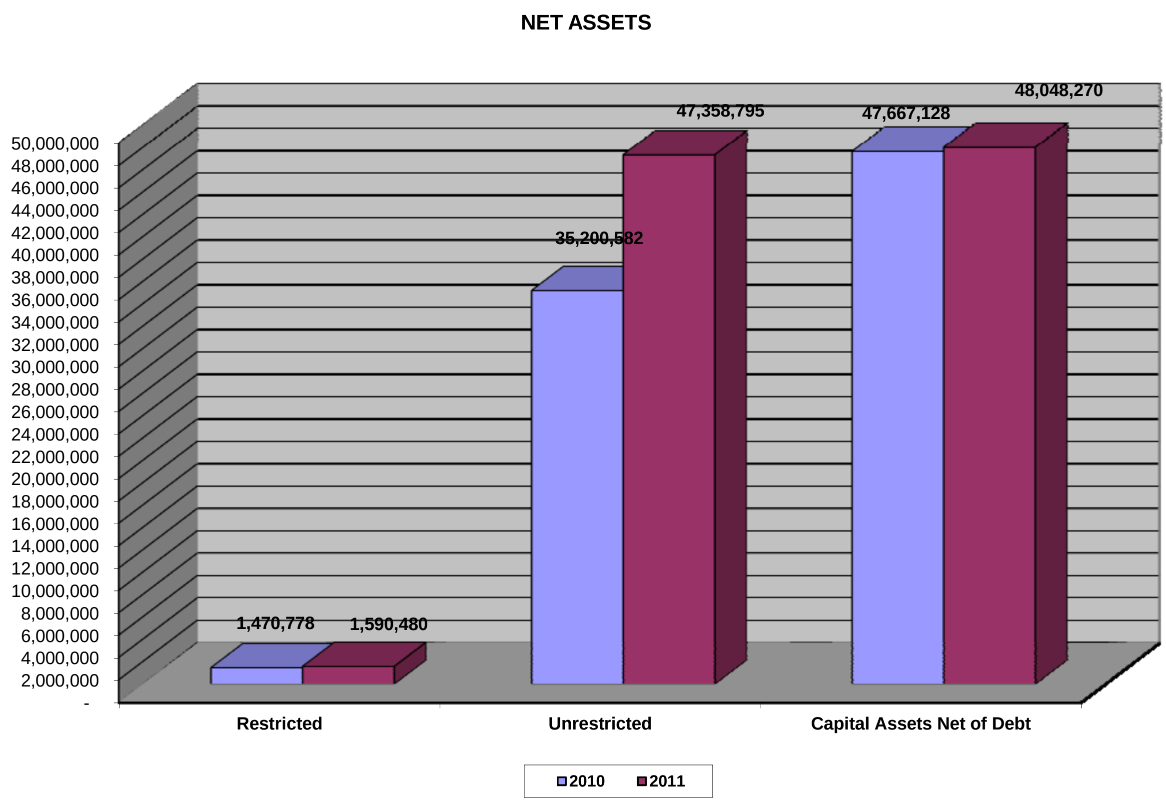
Net Assets

Net assets increased 15.0% in fiscal year 2010-11 primarily due to higher operating revenue. Net assets are the resources available for future operations, that is, assets reduced by liabilities. The District's largest class of net assets is its capital assets, net. Even after consideration of related debt, capital assets net of debt comprise 49.5% of the District's net assets.

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

<u>Net Assets</u> (cont'd)

It is important to recognize that the unrestricted net assets of $47.4 million include resources that, while "unrestricted" under legal and financial reporting definitions, are in fact dedicated to particular purposes. Most notably, the unrestricted net assets include $27.4 million designated for capital construction and general campus capital equipment, as well as an $11.2 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 source 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)

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

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

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

	For the year ended June 30, 2011	For the year ended June 30, 2010
Operating Revenues		
Net Tuition & Fees	$ 13,361,733	$ 12,601,533
Grants & Contracts	3,806,615	3,439,203
Auxiliary	2,955,529	2,902,472
Other	210,848	597,191
Total Operating Revenues	**20,334,725**	**19,540,399**
Operating Expenses		
Educational & General	43,400,817	45,028,604
Auxiliary	2,717,369	2,998,356
Depreciation and Amortization	4,257,260	3,726,535
Total Operating Expenses	**50,375,446**	**51,753,495**
Operating Loss	(30,040,721)	(32,213,096)
Nonoperating Revenues (Expenses) and Gains (Losses)		
General Property Taxes	26,308,250	33,067,669
State Appropriations	8,546,930	4,572,570
Federal State Fiscal Stabilization Funds	382,265	4,920,360
Federal Nonoperating Revenue	8,408,079	7,200,897
Contributions from the Foundation	59,255	85,558
Investment Income	117,766	158,666
Interest on Capital Asset Related Debt	(806,488)	(835,599)
Loss on Disposal of Assets	(326,279)	(57,532)
Total Nonoperating Revenues	**42,689,778**	**49,112,589**
Income Before Other Revenues, Expenses, Gains or Losses	**12,649,057**	**16,899,493**
Capital Grants and Gifts	**10,000**	**66,800**
Increase in Net Assets	12,659,057	16,966,293
Net Assets - Beginning of Year	84,338,488	67,372,195
Net Assets - End of Year	**$ 96,997,545**	**$ 84,338,488**

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)
For the year ended June 30, 2011, the District had a net operating ratio of negative 1.48. This ratio measures the operating income or loss in relation to the total operating revenues. A negative 1.48 operating ratio means that operating expenses were 148% 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.

In comparison to the prior year's operating ratio of negative 1.65, the ratio for 2011 decreased by 10.3% to 1.48. This means from fiscal year 2010 to 2011, while operating expenses decreased, operating revenues increased in the same period. Operating revenues increased 4.1%, while operating expenses decreased 2.7%.

The primary factor contributing to the increased operating revenues was:

- The District had an increase in Federal, State, and local grants and contracts of 10.7%. 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.

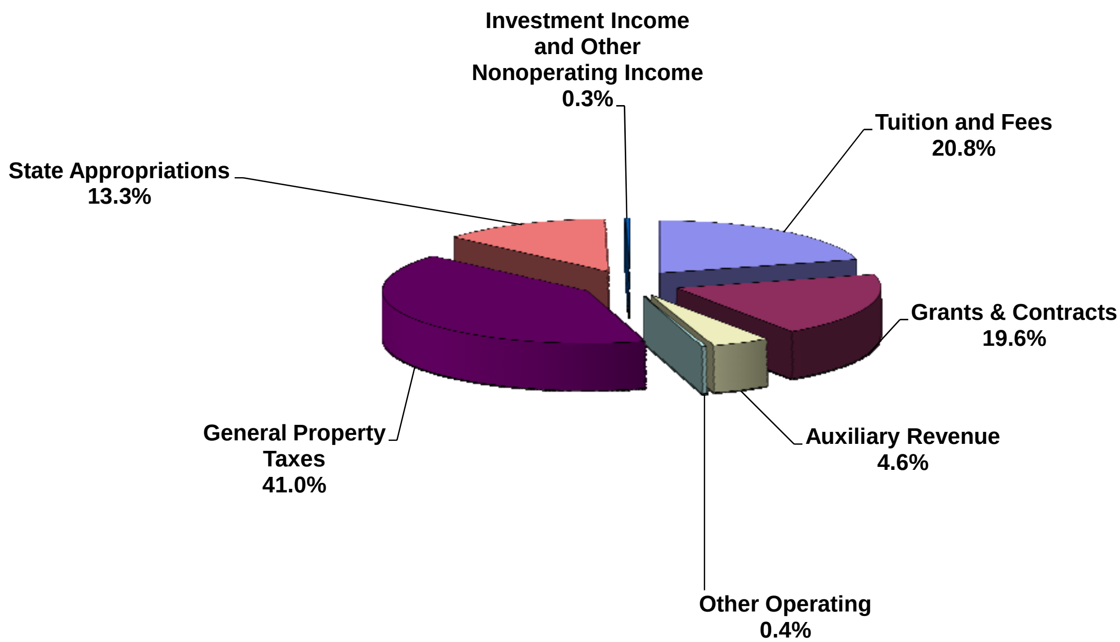
- Tuition and fee revenue increased 6.0% in relation to the increase in tuition and fee rates and student FTE.

Other significant changes on the SRECNA include the significant decrease in property tax revenue of $6.8 million, as explained under the "Financial and Enrollment Highlights" section of this report. State of Colorado appropriations increased to $8.5 million for 2011 compared to the 2010 appropriations of $4.6 million. However, Federal State Fiscal Stabilization Funds decreased to $382,265 in 2011 compared to $4.9 million in 2010. At this time, there is an unknown future of State appropriations due to the continued uncertain future economic outlook for the State of Colorado.

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

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

TOTAL REVENUES SOURCES



Net revenue from all sources net of scholarship allowances totals $64.1 million, with $20.3 million generated from operating revenues and $43.8 million in nonoperating revenues.

General property taxes represent the single largest source (41.0%) of total revenues to the District, which is down in comparison to 2010 (47.5%). However, as mentioned previously, in dollar terms, property tax is down significantly over 2010 due to the spike in oil and gas revenue in 2010. In fiscal year 2011, tuition and fee revenue net of the scholarship allowance became the second largest source, up to 20.8% of total revenue compared to 18.1% for 2010. Grants and contracts (19.6%) moved down to the third largest revenue source, primarily due to the decreased allocation of ARRA dollars from the State as mentioned previously. State appropriations increased for 2011 to approximately 13.3% of total revenue compared to 6.6% for 2010. The State allocated more ARRA dollars to fund higher education in 2010. For 2011, the State had limited ARRA dollars to help supplant State appropriations to fund higher education.

Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) (cont'd)
Reporting standards require tuition and fees to be shown net of scholarship allowances which were $2,273,902 for 2011. 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 (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.

Functional Classifications

Operating Expenses by Function

	Year Ended June 30, 2011	Year Ended June 30, 2010
Instruction	$ 18,475,555	$ 18,663,257
Public services	10,000	12,500
Academic support	3,483,316	4,185,276
Student services	2,904,385	2,912,821
Institutional support	5,396,010	5,402,008
Operation of plant	4,172,832	5,867,297
Student aid	8,958,719	7,985,445
Auxiliary	2,717,369	2,998,356
Depreciation and amortization	4,257,260	3,726,535
Total Operating Expenses	$ 50,375,446	$ 51,753,495

Management's Analysis of Functional Classifications
Instruction expenses decreased in 2011 by 1% attributable to the expense savings measures implemented by the College. The only notable increase in expenses was associated with the aviation helicopter program which was up approximately $775,000. In August 2009, the VA Chapter 33 Post 9/11 educational benefit went into effect resulting in an increase in enrollment in the program. As a result of this educational benefit, the College 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 16.8% for 2011, mostly attributable to reduced employee payroll expense and across the board savings in general operating expenses. The College implemented a soft hiring freeze and various cost control measures to reduce expenses.

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

<u>Expenses</u> (cont'd)

Management's Analysis of Functional Classifications (cont'd)
Student services expenses decreased 0.3%. While employee payroll expense decreased by about 3%, it was offset by a larger increase in contracted services for assistance in processing the unusual high volume of applications for financial aid applicants. Other general operating expenses within this category showed an across the board decline, which is reflected in the net decrease in overall expenses.

Institutional support expenses were relatively flat for the year.

Student aid net of scholarship allowances increased 12.2% as a result of increased financial aid (Federal loan programs), grant paid expenses, and increased enrollment. Although loan funds are not reported in the SRECNA, they are a factor in determining the scholarship allowance which offsets against tuition and fee revenue and student aid line items to derive the net amounts.

Natural Classifications

Operating Expenses by Natural Classification

	Year Ended June 30, 2011	Year Ended June 30, 2010
Employee & Personnel Services	$ 24,207,156	$ 24,754,789
Other Operating	11,258,250	13,337,203
Costs of Goods Sold	1,694,061	1,953,054
Depreciation and Amortization	4,257,260	3,726,535
Student Aid	8,958,719	7,981,914
Total Operating Expenses	**$ 50,375,446**	**$ 51,753,495**

Management's Analysis of Natural Classifications
Employee and personnel services expenses decreased $0.5 million or 2.2%. As a cost savings strategy, the College implemented a soft hiring freeze and no pay increases for 2011.

Other operating expenses decreased $2.1 million as a result of expense reduction initiatives implemented by the College. The only notable large increase in expenses in this category was for the aviation helicopter program contracted services expense, which increased approximately $775,000.

Cost of goods sold decreased due to the increased purchases of used textbooks and the new book rental program. In order to help students with the high cost of textbooks, the bookstore has been working to sell more used textbooks when possible.

Expenses (cont'd)

The increase in depreciation and amortization reflects the partial year depreciation of the completed College Center and Horizon Hall remodel, as well as a full year of depreciation for 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.

Significant changes in this statement are noted below:

- Net cash used in operating activities decreased over 2010 by $2.5 million primarily due to the combined effect of an increase in cash received for tuition and fees revenue of 7.7%, and a reduction in cash payments to and for employees (2.4%), and payments to suppliers (13.4%) being greater than the increase in scholarships disbursed of 12.2%. Payments to and for employees declined due to the District's soft freeze on hiring and no pay increases in 2011. Tuition and fee increase is due to the tuition increase implemented in the fall of 2010 of 9%. Payments to suppliers corresponds to the Districts effort to control costs. 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 decreased over 2010 by $5.7 million due to the decrease in general property tax revenue relating to oil and gas, and a decrease in stabilization funds received from the State (ARRA funds) being greater than the increase in State appropriations received, as mentioned earlier.

- Cash used in capital and related financing activities decreased 53.1%. This is associated with the completion of direct payments by the District for the remodeling costs of the College Student Center in July of 2010, and the completion of the remodeling of Horizon Hall in March of 2011.

Statement of Cash Flows (cont'd)

- Negative net cash flows used in investing activities for 2011 was due to the increase in purchases of investments by the District. Investment revenue related to funds associated with the issuance of the certificates of participation account was $224 in 2011 compared to $372 for 2010.

Overall, the District's cash position increased $2.2 million, which includes restricted money market funds of $1.8 million.

Economic Outlook

Factors affecting the future of the District include the ability to continue increasing student enrollment and the risk of decreased funding 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 faculty and staff.

Student FTE enrollment increased by 2.14% from the prior year 2010 to the current year 2011. 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 ensure 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 key option for future growth of the College, due to the economic uncertainties facing the State and funding for higher education in the State, as well as the risk of lower property tax if the economy remains stagnant for an extended period of time; the College continues to evaluate the timing of the development of the campus in order to be fiscally responsible.

Although State appropriations increased in fiscal year 2011, it was offset by a greater decrease in Federal State Fiscal Stabilization Funds awarded under ARRA. Budgetary shortfalls continued to plague the State in 2011. With the depletion of the Federal State Fiscal Stabilization Funds in 2011, it is expected that the State will continue to be forced to reduce funding for higher education due to increased demands on the State for statutorily mandated budget programs. The State's economic situation is a major concern to the College and higher education as a whole. For fiscal year 2012 the College is anticipating that State appropriation will decline substantially. ARRA funding for higher education ended after fiscal year 2011, and unless the State's economic picture improves or the State legislates some type of funding mechanism for higher education, the outlook for improved State funding looks bleak. The State committee

Economic Outlook (cont'd)

that examined funding issues and devised a recommendation for a solution to the States dilemma on how to fund higher education will hopefully be implemented in some form in the future. 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 have flattened and even declined in some categories. However, the largest category within the College's property tax revenue, oil and gas, has shown substantial improvement from the low point of the economic downturn. It is unknown whether the rise in property tax for oil and gas will offset the declines in other property tax categories, but current estimates from the County Assessor for next year appear to be higher. For fiscal year 2011 property tax revenue again was derived primarily from oil and gas in Weld County. The rising allocation oil and gas plays within our property tax revenue stream requires a prudent balancing between operating and capital funding by the College, 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. However, this anomaly reversed 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 2011, oil and gas appears to be stabilizing back to a more normal price range, it still remains a volatile source of revenue for the College 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.

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

Requests for Information

This financial report is designed to provide a general overview of 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, 2011

ASSETS		
Current Assets:		
Cash and cash equivalents	$	36,486,170
Short-term investments and non-negotiable certificates of deposit		2,294,907
Accrued interest receivable		53,341
Student accounts receivable, net of allowance of $436,586		1,009,032
Accounts receivable, net of allowance of $8,506		1,045,212
Property tax receivable		3,417,161
Inventories		419,586
Other current assets		476,622
Total Current Assets		45,202,031
Noncurrent Assets:		
Land held for development		1,419,342
Money market funds-restricted for construction		1,847,564
Long-term investments		10,096,589
Deferred capital lease issuance costs, net		401,952
		13,765,447
Nondepreciable Capital Assets (Net):		
Land		8,735,272
Land improvements		1,931,538
Art/historical figures		42,132
Depreciable Capital Assets:		
Land improvements		1,710,659
Buildings and improvements		48,629,600
Leasehold improvements		17,880
Equipment and furniture		4,447,770
Total Capital Assets (Net)		65,514,851
Total Noncurrent Assets		79,280,298
TOTAL ASSETS		**124,482,329**
LIABILITIES		
Current Liabilities:		
Accounts payable		2,080,674
Accrued liabilities		1,047,179
Deferred revenue		1,308,999
Loan payable, current portion		531,618
Capital leases payable-certificates of participation, current portion		740,000
Retirement benefits payable, current portion		30,393
Compensated absence liabilities, current portion		290,425
Deposits held in custody for others		2,268,662
Total Current Liabilities		8,297,950
Noncurrent Liabilities:		
Loan payable		1,838,330
Capital leases payable-certificates of participation, net		16,150,204
Retirement benefits payable		36,598
Compensated absence liabilities		1,161,702
Total Noncurrent Liabilities		19,186,834
TOTAL LIABILITIES		**27,484,784**
NET ASSETS		
Invested in capital assets, net of related debt		48,048,270
Restricted for:		
Expendable purposes:		
TABOR reserves		1,429,359
Nongovernmental grants and contracts		161,121
Unrestricted		47,358,795
TOTAL NET ASSETS	**$**	**96,997,545**

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS	
Cash and cash equivalents	$ 2,350,230
Investments	3,995,146
Contributions receivable, net	106,621
Other receivables	-
Prepaid expenses	1,837
Interest receivable	6,598
TOTAL ASSETS	**$ 6,460,432**
LIABILITIES	
Split-interest payable	$ 3,081
TOTAL LIABILITIES	**3,081**
NET ASSETS	
Unrestricted	458,813
Temporarily restricted	3,671,875
Permanently restricted	2,326,663
TOTAL NET ASSETS	**6,457,351**
TOTAL LIABILITIES AND NET ASSETS	**$ 6,460,432**

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2011

REVENUES		
Operating Revenues:		
Student tuition and fees, net of scholarship allowances of $2,273,902	$	13,361,733
Federal grants and contracts		1,166,205
State and local grants and contracts		2,640,410
Auxiliary operating revenue		2,955,529
Other operating revenue		210,848
Total Operating Revenues		**20,334,725**
EXPENSES		
Operating Expenses:		
Educational and general		
Instruction		18,475,555
Public service		10,000
Academic support		3,483,316
Student services		2,904,385
Institutional support		5,396,010
Operation of plant		4,172,832
Student aid		8,958,719
Depreciation and amortization		4,257,260
Auxiliary		2,717,369
Total Operating Expenses		**50,375,446**
Operating Loss		**(30,040,721)**
NONOPERATING REVENUES (EXPENSES)		
General property taxes		26,308,250
State appropriations		8,546,930
Federal State Fiscal Stabilization Fund		382,265
Federal nonoperating revenue		8,408,079
Contributions from the Foundation and private donor (excluding $184,123 included in State and local grants and contracts above and $10,000 included in capital gifts and grants below)		59,255
Investment gain		117,766
Interest on capital asset related debt		(806,488)
Loss on disposal of assets		(326,279)
Net Nonoperating Revenues		**42,689,778**
Income Before Other Revenues, Expenses, Gains or Losses		**12,649,057**
Capital grants and gifts		10,000
Increase in Net Assets		**12,659,057**
Net Assets, Beginning of Year		84,338,488
Net Assets, End of Year	**$**	**96,997,545**

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2011

Revenue and Gains:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Contributions and grants	$ 204,625	$ 299,056	$ 500	$ 504,181
Investment earnings	99,064	620,754	-	719,818
Miscellaneous income	-	180	-	180
Net assets released from restrictions:				
Satisfaction of program restrictions	378,103	(378,103)	-	-
Total revenues and support	**681,792**	**541,887**	**500**	**1,224,179**
Expenses:				
Program services:				
Scholarships:				
Student	102,967	-	-	102,967
Contributions to College:				-
Allied Health programs	11,450	-	-	11,450
Automotive	43,622	-	-	43,622
Capital projects	150,000	-	-	150,000
Childcare center	-	-	-	-
Computer equipment	6,250	-	-	6,250
GED program	-	-	-	-
Sculptures and signage	843	-	-	843
Other	38,481	-	-	38,481
Total Program Services	353,613	-	-	353,613
Support Services:				
Fundraising	72,607	-	-	72,607
General and administrative	122,435	-	-	122,435
Total Support Services	195,042	-	-	195,042
Total Expenses	**548,655**	**-**	**-**	**548,655**
Board and donor transfers	**120,705**	**4,041**	**(124,746)**	**-**
Change in net assets before other changes	**253,842**	**545,928**	**(124,246)**	**675,524**
Other changes - loss on investments	**118,282**	**(118,282)**	**-**	**-**
Change in net assets	**372,124**	**427,646**	**(124,246)**	**675,524**
Net assets--beginning of year	86,689	3,244,229	2,450,909	5,781,827
Net assets--end of year	**$ 458,813**	**$ 3,671,875**	**$ 2,326,663**	**$ 6,457,351**

See accompanying notes to financial statements

AIMS JUNIOR COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received:	
Tuition and fees	$ 13,430,851
Sales of services	685,007
Sales of products	2,216,261
Grants and contracts	3,624,422
Other receipts	210,848
Cash Payments:	
Payments to and for employees	(24,338,992)
Payments to suppliers	(13,457,832)
Scholarships disbursed	(8,958,719)
Net cash used in operating activities	**(26,588,154)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from the Foundation and private donors	59,255
State appropriations, noncapital	8,546,930
Federal State Fiscal Stabilization Fund	382,265
Federal revenues, noncapital	8,408,079
General property taxes, noncapital	26,926,804
Increase in deposits held in custody for others	388,780
Direct loans receipts	9,120,124
Direct loans disbursements	(9,120,124)
Net cash provided by noncapital financing activities	**44,712,113**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition or construction of capital assets	(3,679,708)
Principal paid on loans and capital leases	(1,219,790)
Interest paid on loans and capital leases	(843,250)
Payment of prior year payables for capital assets	(736,149)
Proceeds from sale of capital assets	5,006
Net cash used in capital and related financing activities	**(6,473,891)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(11,404,486)
Proceeds from sales of investments	1,806,784
Investment earnings	113,939
Net cash used in investing activities	**(9,483,763)**
Increase in Cash and Cash Equivalents	2,166,305
Cash and Cash Equivalents, Beginning of Year	36,167,429
Cash and Cash Equivalents, End of Year (includes $1,847,564 money market funds-restricted for construction)	$ 38,333,734
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	**$ (30,040,721)**
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization expense	4,257,260
Decrease (increase) in assets:	
Receivables, net	(305,040)
Inventory	(32,903)
Prepaid expenses	62,660
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(540,614)
Deferred revenues	137,704
Compensated absences	(126,500)
Net cash used in operating activities	$ (26,588,154)
Noncash capital and related financing activities:	
Construction accounts payable and retainages payable in accounts payable	$ 455,945
Amortization of bond issuance costs	44,804
Amortization of deferred capital lease premium-certificates of participation	26,775
Capital assets donated to the District	10,000
Unrealized gain/loss on investment	48,359

See accompanying notes to financial statements

AIMS COMMUNITY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors	$	638,366
Interest and dividends received		137,771
Cash paid to support College programs		(327,730)
Cash paid to employees and suppliers		(37,537)
Net cash provided by operating activities		**410,870**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments		(83,325)
Net cash used in investing activities		**(83,325)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments		500
Net cash provided by financing activities		**500**
Net increase in cash and cash equivalents		328,045
Beginning cash and cash equivalents balance		2,022,185
Ending cash and cash equivalents balance	$	2,350,230

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

Change in net assets	$	675,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net gain on investments		(582,047)
Contributions restricted for endowments		(500)
Changes in operating assets and liabilities:		
Contributions receivable		224,311
Other receivables		100,000
Interest receivable		(1,837)
Split-interest payable		(4,386)
Deferred revenue		(195)
Net cash provided by operating activities	$	410,870

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 College 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. Separate financial statements for the blended component units are not issued.

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 $250,646 to the operations of the District and $102,967 for scholarships for the year ended June 30, 2011. The District has recorded $2,220,472 as deposits held in custody for others on behalf of the Foundation as of June 30, 2011.

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. 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. Six counties contribute to the assessed valued of the taxing district, with the largest contribution coming from Weld County. The January 1, 2011 levy for the District was 6.36 mills, or approximately $24,511,004 from Weld County. 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. Assets recorded under capital lease agreements are amortized over either the term of the lease or the estimated useful life, whichever period is shorter. Such amortization is included as depreciation expense in the accompanying financial statements.

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.

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

Compensated Absences

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

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of capital lease, loan payable and retirement benefit obligations maturing after one year. 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.

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

Classification of Revenue

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

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

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

Scholarship Allowances

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

Cash and cash equivalents as of June 30, 2011 is comprised of the following:

First National Bank Wealth Management	$	1,584,001
Wells Fargo Bank		249,984
Wells Fargo Advantages - Money Market		9,142,649
Goldman Sachs Fin SQ FDS Government Preferred 488		11,180,229
COLOTRUST		14,318,609
		36,475,472
Cash on hand		10,698
Total	$	36,486,170

The District also has $1,847,564 of cash and cash equivalents held in a money market account which is restricted for construction.

DEPOSITS

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 District has noninterest-bearing transaction accounts which are covered under the FDIC Temporary Liquidity Unlimited Coverage for noninterest-bearing transactions accounts program. For the period December 31, 2010 through December 31, 2012, at all FDIC-insured institutions, deposits held in noninterest-bearing accounts will be fully insured regardless of the amount in the account. FDIC insurance limits for interest-bearing accounts is $250,000. At June 30, 2011, the carrying amount of the District's deposits was $1,166,850. The District's deposits of cash and nonnegotiable certificates of deposits in banks was $1,229,931, of which noninterest-bearing accounts totaling $313,065 and interest-bearing accounts of $916,934 are covered by federal deposit insurance. Any interest-bearing accounts in excess of $250,000 during the year would be uninsured but collateralized in accordance with the provisions of PDPA. The District also had cash on hand of $10,698 at June 30, 2011.

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

Investments

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

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

As of June 30, 2011, the District had the following investments, restricted money market funds and certificates of deposit with original maturities greater than 90 days:

I. First National

Investment	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating Moody's	Credit Rating S&P
Corporate Obligations - Bonds						
Bear Sterns Co LLC	$ 50,279	$ 52,263	5.47%	8/15/2011	AA3	A+
Berkshire Hathway	51,869	53,696	4.58%	5/15/2012	AA2	AA+
Chevron Corp	51,048	51,812	3.38%	3/3/2012	AA1	AA
Citibank NA FDIC	25,006	24,983	1.50%	7/12/2011	AAA	AAA
General Electric Cap Corp.	50,710	50,039	2.07%	1/7/2014	Aa2	AA
Merck & CO Inc.	50,887	54,329	5.04%	11/15/2011	AA3	AA
Pfizer Inc.	51,425	52,400	4.33%	3/15/2012	A1	AA
Primero Reorg Sch Dist No 2 Co Go	27,460	27,251	4.55%	12/15/2013	Aaa	AA+
Private Expt Fdg Cor	25,545	26,993	4.80%	12/15/2011	AAA	AA+
United Parcel Service	52,832	53,982	4.26%	1/15/2013	AA3	AA-
Wachovia Corp.	50,664	51,751	5.23%	10/15/2011	A1	AA-
Wal-Mart Stores Inc.	52,619	52,345	2.85%	2/3/2014	AA2	AA
	540,344	551,844				

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

Investment	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating Moody's	Credit Rating S&P
I. First National (continued)						
Certificates of Deposit (Negotiable)						
Alpine Banks Colo Glenwood	95,429	95,488	1.10%	2/13/2012	N/A	N/A
Compass Bk Birmingham Ala	201,378	201,445	1.00%	11/21/2011	A1	A-
Compass Bk Birmingham Ala	25,002	25,240	2.10%	7/8/2011	A1	A-
Farmers Bk Ault Colo	251,503	250,000	0.99%	10/4/2012	N/A	N/A
JP Morgan Chase Bank N.A.	19,156	19,680	0.00%	6/29/2012	AA1	AA-
Millennium Bank Edwards Co	248,283	249,000	0.75%	4/19/2013	N/A	N/A
Wells Fargo Bk N.A.	246,875	246,300	0.00%	3/28/2012	AA2	N/A
	1,087,626	1,087,153				
Certificates of Deposit (Non-Negotiable)						
Mile High Bank	205,000	205,000				
Great Western Bank	250,000	250,000				
	455,000	455,000				
Government issued or guaranteed bonds						
Fed Farm Credit Bank	26,248	27,419	5.19%	6/21/2012	AAA	AAA
Fed Home Loan Bank	26,203	26,890	4.63%	8/15/2012	AAA	AAA
Federal National Mortgage Association	54,555	54,334	4.24%	10/15/2013	AAA	AAA
Federal National Mortgage Association	54,487	53,957	3.79%	4/15/2014	AAA	AAA
	161,493	162,600				
Treasury Inflation-Protection Securities						
UST INFL INDEX NTS	86,729	83,791	1.70%	7/15/2013	AAA	AAA
UST INFL INDEX NTS	86,929	86,258	1.80%	1/15/2016	AAA	AAA
	173,658	170,049				
Money Market Funds						
Goldman Sachs Fin SQ FDS Government Preferred 488	11,180,229	11,180,229			A2	A+
Advantage Bank	249,000	249,000			N/A	N/A
Colorado Capital Bank	752,715	752,715			N/A	N/A
Flatirons Bank	249,000	249,000			N/A	N/A
Goldman Sachs Preferred	136,176	136,176			N/A	N/A
Solera National Bank	197,110	197,110			N/A	N/A
	12,764,230	12,764,230				
Total Investments - First National	$ 15,182,351	$ 15,190,876				

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

II. Wells Fargo Investments

Investment	Current Market Value	Cost Basis	Current Yield	Maturity	Credit Rating Moody's	Credit Rating S&P
Government issued or guaranteed bonds						
Fed Farm Credit Bank	$ 103,334	$ 102,848	4.40%	4/25/2012	AAA	AAA
Fed Home Loan Bank	1,011,115	1,012,670	1.38%	7/30/2012	AAA	AAA
Fed Home Loan Bank	3,058,857	3,066,090	2.00%	9/14/2012	AAA	AAA
Fed Home Loan Bank	755,809	754,908	4.00%	12/13/2013	AAA	AAA
Fed Home Loan Bank	50,377	50,633	3.63%	9/16/2011	AAA	AAA
Federal Home Loan Note	102,132	100,761	1.95%	11/15/2012	AAA	AAA
Federal Home Loan Note	106,165	106,018	3.75%	6/14/2013	AAA	AAA
Federal National Mortgage Association	101,415	102,778	5.00%	10/15/2011	AAA	AAA
Federal National Mortgage Association	2,139,486	2,142,180	4.75%	2/21/2013	AAA	AAA
Freddie Mac Note	109,539	108,273	4.50%	4/2/2014	AAA	AAA
	7,538,229	7,547,159				
Corporate Obligations - Bonds						
Arden Realty LP	100,705	102,472	5.20%	9/1/2011	AA2	AA+
Barclays Bank PLC	305,519	306,252	2.50%	1/23/2013	AA3	AA-
Bear Stearns Co LLC	346,974	360,110	6.95%	8/10/2012	AA3	A+
Charles Schwab Corp	109,643	110,514	4.95%	6/1/2014	A2	A
General Electric Capital Corp	307,617	309,585	2.80%	1/8/2013	AA2	AA+
Goldman Sachs Group INC	311,688	319,422	5.00%	10/1/2014	A1	A
Merck Sharp & Dohme Corp	50,887	51,741	5.13%	11/15/2011	AA3	AA
South Carolina Electric & Gas Co	332,200	345,330	7.13%	6/15/2013	A3	A
Wells Fargo & Co	107,535	98,245	5.50%	5/1/2013	A1	AA-
	1,972,768	2,003,671				
Money Market Funds - restricted						
Wells Fargo Advantage Funds - Government Money Market Fund - restricted	1,847,564	1,847,564			AAA	AAA
Wells Fargo Advantage Funds - Prime Investment Money Market Fund - Institutional	9,142,649	9,142,649			Aaa	AAAm
	10,990,213	10,990,213				
Total Investments - Wells Fargo	$ 20,501,210	$ 20,541,043				
Certificate of Deposits (Non-negotiable)						
Colorado East Bank & Trust	$ 250,986	$ 250,986				
Bank of Colorado	211,392	211,392				
	$ 462,378	$ 462,378				

Statement of net assets classification

Short-term investments and non-negotiable certificates of deposit-unrestricted	$ 2,294,907
Money market funds - restricted	$ 1,847,564
Money market funds included in cash and cash equivalents	$ 21,906,879
Long-term investments	$ 10,096,589

NOTE 3—CASH AND CASH EQUIVALENTS AND DEPOSITS AND INVESTMENTS (cont'd)

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

As of June 30, 2011, the District's investment in Colorado Local Government Liquid Asset Trust (COLOTRUST) investment pool was rated AAAm by Standards and Poor.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. More than 28.0% of the District's deposits and investments are in the COLOTRUST investment pool. The District also has 3.6% of its deposits and investments restricted for construction and or repayment of the certificates of participation issued in August of 2006. In addition, approximately 37.0% of the District's deposits and investments invested in implicitly guaranteed Government securities as direct holdings with the College's First National Bank Investment Account (0.3%) and the Wells Fargo Investment Account (14.7%) or through our First National Bank Investment – Goldman Sachs Government Preferred Account (22.0%). The District also has money market funds as direct holdings with the Wells Fargo Investment Account, which comprise 18.0% of the District's deposits and investments.

The following details the investments held by the Foundation for each major category of investments and the related fair market value at June 30, 2011:

Mutual funds	$ 839,976
Equities	1,943,584
U.S. Treasury notes	211,943
Corporate bonds	493,798
Real estate and specialty assets	505,845
Total	$ 3,995,146

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.

On June 8, 2011, the College sold 6.11 acres of land to Waltel Minerals, LLC for $35,000. The sale of the property did not include any water or mineral rights. At the time of the sale, a repurchase option was signed by the buyer and the College allowing the College the option to buy back the property for $35,000 upon on the termination date of the mineral lease the College signed with Synergy Resources Corporation and extending five (5) years thereafter.

The property was sold contingent on the buyer or a third party being granted an oil and gas lease on the property by the College. On June 8, 2011, the College entered into an oil and gas lease with Synergy Resources Corporation for the purpose of drilling oil and gas wells on the property in consideration of the College receiving a 16.67% net royalty interest after taxes and agreed-upon costs. In addition to the royalty interest, the College also received a one-time $300 per acre royalty bonus ($54,780) for land it owned (182.6 acres) under which the wells will be extracting minerals. The future value of royalties to be received is unknown at this time.

NOTE 5—CAPITAL ASSETS

The following presents changes in capital assets and accumulated depreciation for the year ended June 30, 2011.

	Balance, July 1, 2010	Additions	Deductions	Balance, June 30, 2011
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	3,226,040	6,755	-	3,232,795
Buildings & Improvements	62,393,554	9,236,740	-	71,630,294
Vehicles	1,053,074	298,463	11,667	1,339,870
Equipment	16,404,000	503,167	561,422	16,345,745
Leasehold Improvements	541,535	-	514,444	27,091
Total capital assets, being depreciated	83,618,203	10,045,125	1,087,533	92,575,795
Less Accumulated Depreciation				
Land Improvements	1,389,538	132,598	-	1,522,136
Buildings & Improvements	20,752,570	2,248,124	-	23,000,694
Vehicles	840,282	125,550	11,667	954,165
Equipment	11,108,913	1,653,657	478,890	12,283,680
Leasehold Improvements	222,375	52,528	265,692	9,211
Total Accumulated Depreciation	34,313,678	4,212,457	756,249	37,769,886
Total capital assets, being depreciated, net	49,304,525	5,832,668	331,284	54,805,909
Add Construction in Progress	5,892,433	3,372,794	9,265,227	-
Net Carrying Amount	$ 65,905,900	$ 9,205,462	$ 9,596,511	$ 65,514,851

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

Interest cost capitalized for 2011 was as follows:

Horizon Hall	$ 34,032
College Center	17,811
	$ 51,843

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, 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 annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at (303) 832-9550 or (800) 759-PERA (7372).

Funding Policy

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. Prior to July 1, 2010, the contribution rate for members was 8.0% and for the District was 10.15% of covered salary. Effective July 1, 2010, the member contribution rate increased to 10.5% and the employer contribution rate decreased to 7.65% due to the passage of Senate Bill 10-146. The contribution rate changes were intended to be for a one-year modification that would end on June 30, 2011. However, with the passage of Senate Bill 11-076 in 2011, the contribution change was extended through fiscal year 2011-12. 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 2.6% of the total payroll for the calendar year 2011 (2.2% of total payroll for the calendar year 2010, and 1.8% of total payroll for the calendar year 2009). Additionally, the District is required to pay a supplemental amortization equalization disbursement (SAED) equal to 2.0% of the total payroll for the calendar year 2011 (1.5% of the total payroll for the calendar year 2010, and 1.0% of the total payroll for the calendar year 2009). 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 contribution 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, 2011, 2010, and 2009, the District's employer contributions to the SDTF were $2,087,453, $2,504,677, and $2,343,814, respectively, equaling its 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 financial report for the 401(k) Plan. That report may be obtained online at www.copera.org or by writing to Colorado PERA at 303-832-9550 or 1-800-759-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 2010 and $16,500 calendar year 2011). Catch-up contribution up to $5,500 for the calendar year 2010 and $5,500 for the calendar year 2011 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 Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During FY 10-11, the premium subsidy was $115 for those with 20 years of service credit ($230 for members under age 65), and it was reduced by 5% for each year of service fewer than 20. Medicare eligibility also affects the premium subsidy.

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

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

Life Insurance Program

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

NOTE 9—COMMITMENTS AND CONTINGENT LIABILITIES

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, gifts, federal funds, reserve expenditures, damage awards, or property sales. The District believes it is in compliance with the 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 $1,429,359 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. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded this coverage in any of the past three fiscal years.

As of June 30, 2011, the District had no construction commitments outstanding. The District began to replace the roof on Ed Beaty Hall after the end of the academic year, with an expected completion date in late 2011. In addition, the Board approved a number of other capital projects for the 2011-12 academic year. The projects include the design and construction of a campus promenade through the core of the academic buildings, and the construction of a road extension from the southwest entrance of the campus connecting to the north parking lots, and an additional parking lot next to the Physical Education building. The extension of the road will create a circular road system around the campus. The road construction and additional parking lot will necessitate the need to relocate the tennis courts, which has also been approved by the Board. No other major construction projects have been approved by the Board.

NOTE 10—COMPENSATED ABSENCES

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

The estimated liability related to compensated absences for which employees are vested at June 30, 2011, is $1,452,127. The District estimates 20% of the liability will be paid in the subsequent year.

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 College 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, 2011:

	Balance, July 1, 2010	Additions	Reductions	Balance, June 30, 2011	Amounts Due Within One Year
Loan Payable	$ 2,879,738	$ -	$ (509,790)	$ 2,369,948	$ 531,618
Certificates of Participation	17,360,000	-	(710,000)	16,650,000	740,000
Unamortized Capital Lease Premium-Certificates of Participation	266,979	-	(26,775)	240,204	-
Total	**$ 20,506,717**	$ -	**$ (1,246,565)**	**$ 19,260,152**	**$ 1,271,618**
Other Liabilities:					
Retirement Benefits	$ 206,394	$ -	$ (139,403)	$ 66,991	$ 30,393
Accrued Compensated Absences	1,439,224	12,903	-	1,452,127	290,425
Total Other Liabilities	**$ 1,645,618**	**$ 12,903**	**$ (139,403)**	**$ 1,519,118**	**$ 320,818**

Amounts shown in "Balance, June 30, 2011" of long-term liabilities include both current and noncurrent portions. Additional information regarding accrued compensated absences is included in Note 10, loan payable obligations in Note 12, retirement benefits payable in Note 14 and certificates of participation in Note 17.

NOTE 12—LOAN 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 note 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
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 Loan Payable	**$ 2,369,948**	**$ 217,552**	**$ 2,587,500**

NOTE 13—LEASES

The District leases space and equipment under operating leases to conduct its operations. Rental payments for operating leases were $67,967 for the year ended June 30, 2011. The future minimum rental payments for operating leases as of June 30, 2011, are as follows:

Year Ending June 30	Amount
2012	$ 37,159
2013	14,659
2014	14,659
2015	8,551
	$ 75,028

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, 2011, were $79,840.

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, 2011, $66,991 is due to individuals whose applications have been approved by the Board of Trustees. The liability as of June 30, 2011 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, 2011, are as follows:

Year Ending June 30	Amount
2012	$ 30,393
2013	10,457
2014	10,457
2015	10,457
2016	5,227
	$ 66,991

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, 2011:

Total capital assets, net of accumulated depreciation	$	65,514,851
plus (less):		
Loan payable, current portion		(531,618)
Capital leases payable-certificates of participation, current portion		(740,000)
Loan payable, noncurrent		(1,838,330)
Capital leases payable-certificates of participation, noncurrent		(16,150,204)
Unspent proceeds-certificates of participation, restricted funds		1,847,564
Deferred capital lease issuance costs, net		401,952
Construction accounts payable		(455,945)
	$	48,048,270

NOTE 16—NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the year ended June 30, 2011, the following table represents operating expenses within both natural and functional classifications:

	NATURAL CLASSIFICATION					
FUNCTIONAL CLASSIFICATIONS	Employee & Personnel Services	Operating	Cost of Goods Sold	Depreciation	Student Aid	TOTAL OPERATING EXPENSES
Instruction	$ 12,319,110	$ 6,130,963	$ 25,482	$ -	$ -	$ 18,475,555
Public Service	-	10,000	-	-	-	10,000
Academic Support	2,885,876	597,440	-	-	-	3,483,316
Student Services	2,904,385	-	-	-	-	2,904,385
Institutional Support	4,348,462	1,047,101	447	-	-	5,396,010
Operation of Plant	1,009,060	3,163,772	-	-	-	4,172,832
Student Aid	-	-	-	-	8,958,719	8,958,719
Auxiliary	740,263	308,974	1,668,132	-	-	2,717,369
Depreciation and Amortization	-	-	-	4,257,260	-	4,257,260
TOTAL EXPENSES	**$ 24,207,156**	**$ 11,258,250**	**$ 1,694,061**	**$ 4,257,260**	**$ 8,958,719**	**$ 50,375,446**

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 the new Allied 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 COP. 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 Allied 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 COP bears per annum interest and mature serially beginning December 15, 2007 and continue annually through December 15, 2026. The COP interest rates range from 3.625% to 5.0%, with effective yields ranging from 3.60% to 4.54%. The series is rated AAA by Standard & Poor's.

The underlying gross capitalized asset costs for this capital lease are $17,208,846. Accumulated amortization as of June 30, 2011, is $2,190,217.

The maturity schedule for the COP is presented in a chart on the following page.

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

Maturity Schedule

Year ending June 30	Interest Rate	Price or Yield	Principal Amount	Interest	Total
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			$ 16,650,000	$ 6,969,316	$ 23,619,316

NOTE 18—CURRENT ECONOMIC CONDITIONS

The current economic environment could present public institutions of higher education with unprecedented circumstances and challenges. The financial statements have been prepared using values and information currently available to the College.

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 2011, the College did receive $382,265 in federal State Fiscal Stabilization Funds (SFSF) under the federal ARRA to offset the loss of funding by the State. At the end of fiscal year 2011, SFSF have been diminished and the College is expecting to see reduced appropriation from the State. Depending upon the depth of the reduced future funding from the State; the College could see an adverse impact on future operating results. It should be noted that although State appropriations are expected to decline, property tax revenue is projected to increase next year and offset some of the decline in State appropriations.

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 College, the College has implemented a number of cost savings and revenue generating strategies to help mitigate some of the impact reduced funding may have on the College. The College has eliminated a number of property leases, 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 College continues to monitor program cost to ascertain relevance and cost effectiveness. The College continues to vigilantly monitor the State funding for higher education so it can respond rapidly to any changes that might impact the College.

NOTE 19—SUBSEQUENT EVENT

The Board of Trustees approved the payoff of the loan payable with Wells Fargo (Note 12) at the October 12, 2011 Board meeting. The District paid $174,735 of principal payments from July 1 – October 1, 2011 and paid off the remainder of the loan, or $2,199,566 including accrued interest of $4,353, on October 18, 2011.

SUPPLEMENTARY INFORMATION

AIMS JUNIOR COLLEGE DISTRICT
ALL FUNDS
ACTUAL TO BUDGET COMPARISON

Year Ended June 30, 2011	**Actual**	**Budget**	**Favorable (Unfavorable) Variance**
Revenues:			
Tuition and fees	$ 15,635,635	$ 15,314,979	$ 320,656
Less: Tuition Discounts (Student Financial Aid)	(2,273,902)	-	(2,273,902)
Net Tuition and Fees	13,361,733	15,314,979	(1,953,246)
Gifts, grants and contracts	12,214,694	11,488,425	726,269
Auxiliary operating revenue	2,955,529	2,910,643	44,886
Other operating revenue	210,848	81,405	129,443
Total Operating Revenues	28,742,804	29,795,452	(1,052,648)
Operating Expenses:			
Education and general	34,442,098	41,828,697	7,386,599
Student aid	8,958,719	11,347,500	2,388,781
Depreciation and amortization expense	4,257,260	-	(4,257,260)
Auxiliary enterprises expenses	2,717,369	2,814,081	96,712
Total Operating Expenses	50,375,446	55,990,278	5,614,832
Nonoperating Revenues and Expenses:			
General property taxes	26,308,250	26,052,291	255,959
State appropriations	8,546,930	7,598,256	948,674
Federal State Fiscal Stabilization Fund	382,265	382,265	-
Investment gain	117,766	130,314	(12,548)
Interest expense	(806,488)	(748,905)	(57,583)
Loss on disposal of assets	(326,279)	-	(326,279)
Contribution from the Foundation	69,255	-	69,255
Total Nonoperating Revenue and Expense	34,291,699	33,414,221	877,478
Transfers In (Out):			
Nonmandatory transfers in	22,296,803	12,649,684	9,647,119
Nonmandatory transfers out	(22,296,803)	(12,649,684)	(9,647,119)
Total Transfers In (Out)	-	-	-
Increase in Net Assets	$ 12,659,057	$ 7,219,395	$ 5,439,662

REPORTS REQUIRED BY OMB CIRCULAR A-133

BKD LLP
CPAs & Advisors

Wells Fargo Center
1700 Lincoln Street, Suite 1400
Denver, CO 80203-4514
303.861.4545 Fax 303.832.5705 www.bkd.com

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, 2011, which collectively comprise its basic financial statements and have issued our report thereon dated November 2, 2011, 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, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 2, 2011.

This report is intended solely for the information and use of the Board of Trustees, management and 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 2, 2011

BKD LLP
CPAs & Advisors

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Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Aims Junior College District
Greeley, Colorado

Compliance

We have audited Aims Junior College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. 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 the 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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

Board of Trustees
Aims Junior College District

Internal Control Over Compliance

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 the 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-01. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Trustees, management and 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 2, 2011

Aims Junior College District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA # Number	Federal Expenditures
U.S. Department of Education		
Student Financial Assistance Cluster		
Federal Pell Grant Program	84.063	$ 8,408,079
Federal Supplemental Educational Opportunity Grants	84.007	103,880
Federal Work-Study Program	84.033	79,089
Federal Direct Student Loans	84.268	9,120,124
Academic Competitiveness Grants	84.375	10,534
		17,721,706
TRIO Cluster		
TRIO_Student Support Services	84.042	325,453
State Fiscal Stabilization Fund Cluster		
Passed through State of Colorado		
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394A	382,265
Passed through Colorado Department on Higher Education		
Leveraging Educational Assistance Partnership	84.069	10,105
Passed through Colorado Community Colleges		
Career and Technical Education -- Basic Grants to States:		
Postsecondary Non-Reserved Grant:	84.048	
Academic Rigor		28,599
Secondary/Postsecondary Linkages		-
Professional Development		4,732
Evaluations		10,684
Expand & Modernize		483,549
Sufficient Scope		-
Special Populations		26,736
Indirect Costs		5,380
		559,680
Total U.S. Department of Education		18,999,209

Aims Junior College District

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA # Number	Federal Expenditures
National Science Foundation		
Passed through Arapahoe Community College		
Education and Human Resources	47.076	16,546
Passed through Colorado State University		
Education and Human Resources	47.076	11,104
Total National Science Foundation		27,650
U.S. Department of Health and Human Services		
Passed through Pueblo Community College		
ARRA - Health Information Technology Professionals in Health Care	93.721	25,850
Total U.S. Department of Health and Human Services		25,850
Total Expenditures of Federal Awards		$ 19,052,709

See Notes to the Schedule of Expenditures of Federal Awards

Aims Junior College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

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, 2011

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☐ Yes	☒ None Reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☒ Yes	☐ None Reported

5. Types of auditor's report issued on compliance for major programs:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ☒ Yes ☐ No

Aims Junior College District

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2011

7. Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.268, 84.375	Student Financial Assistance Cluster
84.394A	State Fiscal Stabilization Fund Cluster, including ARRA

8. Dollar threshold used to distinguish between Type A and Type B programs: $300,000.

9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
2011-01	**Finding: Special Tests and Provisions – Return of Title IV Funds**	None

Student Financial Assistance Cluster – Federal Pell Grant Program (CFDA No. 84.063); Federal Supplemental Educational Opportunity Grants (CFDA No. 84.007); Federal Work-Study Program (CFDA No. 84.033); Federal Direct Student Loans (CFDA No. 84.268); Academic Competitiveness Grants (CFDA No. 84.375)

Department of Education: Award Year: 2010-2011

Criteria or specific requirement: When a recipient of Title IV grant or loan assistance withdraws during a payment period or period of enrollment, the District must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student, the difference must be returned to the Title IV programs. The return must occur as soon as possible, but no later than 45 days after the date of the determination that the student withdrew. Code of Federal Regulations Title 34 Part 668 Section 22, *Treatment of Title IV Funds When a Student Withdraws* outlines the requirements for calculating the amount of assistance earned by the student as of the withdrawal date as well as the timeframe and the order in which funds are required to be returned to the various Title IV grant or loan assistance programs.

Condition: Testing identified instances in which the funds required to be returned to the Title IV grant or loan assistance programs were not returned within the 45-day timeframe.

Reference Number	Finding	Questioned Costs

Context: The District performed 462 Return of Title IV Funds calculations during fiscal year 2011. Funds were not returned within the 45-day timeframe for eight out of 25 calculations tested. The timeframe in which the funds were returned in the above identified calculations ranged from 57 – 120 days.

Cause: The Student Financial Aid office was under-staffed during much of fiscal year 2011 which resulted in a backlog of Return to Title IV Funds calculations and ultimately caused a delay in the processing of these calculations.

Effect: The funds were not returned within the timeframe specified.

Recommendation: The Student Financial Aid office should be staffed in a manner that is conducive to processing all information in a timely manner. In addition, processes should be implemented to ensure that Return of Title IV Funds calculations are being performed, reviewed, and funds returned to the proper Title IV grant or loan assistance programs within the required timeframe.

Views of responsible officials and planned corrective actions:

We agree with the recommendation.

Corrective action planned:

- A report to assist financial aid staff with identifying students who may be subject to a Return of Title IV Fund calculation has been developed in ARGOS and prints weekly.

- Due to recent regulatory changes, this report is currently being worked by the Financial Aid Director and Financial Aid Assistant Director – Processing to ensure our new Return of Title IV Fund guidelines are exhaustive.

- At this time, the Return of Title IV Fund calculations are being completed by either a third party consulting company, the Financial Aid Assistant Director – Processing or the Financial Aid Director.

Reference Number	Finding	Questioned Costs

- Calculations are reviewed and all necessary adjustments to a student's federal aid are made by the Financial Aid Assistant Director – Processing or the Financial Aid Director.

- Training on how to complete the Return of Title IV Fund calculations will be on-going with the financial aid case manager staff. The intent being that the Return of Tile IV Fund calculations will be completed by the case managers with review and adjustments to be made by the Financial Aid Assistant Director – Processing and /or the Financial Aid Director.

Person(s) responsible for implementing: Financial Aid Director

Implementation date: Already in progress.

Aims Junior College District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2011

Reference Number	Summary of Finding	Status
	No matters are reportable.	